



2025

Annual Report

The Bank of South Carolina

FIVE-YEAR FINANCIAL PERFORMANCE

Year Ended December 31

	2025	2024	2023	2022	2021
Net Income:	\$ 7,907,090	\$ 6,749,736	\$ 5,493,616	\$ 6,655,140	\$ 6,744,865

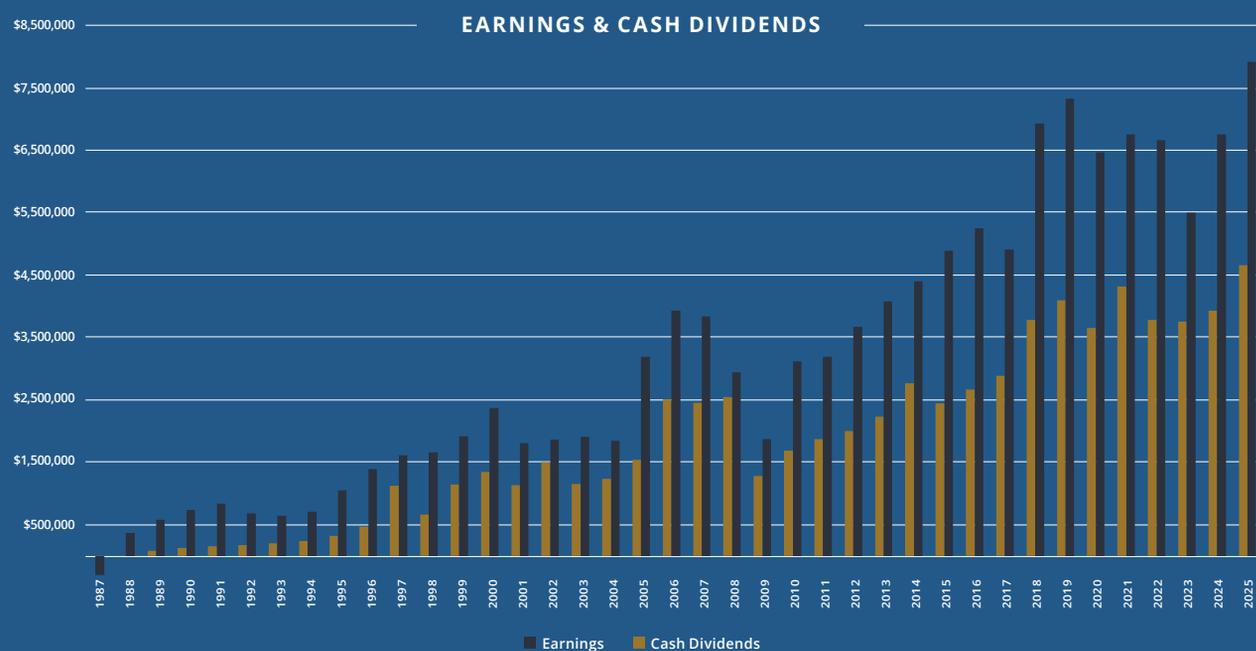
Performance Ratios					
Return on Average Equity	13.83%	13.55%	12.90%	15.26%	12.30%
Return on Average Assets	1.38%	1.14%	0.86%	1.01%	1.14%
Community Bank Leverage Ratio	11.46%	11.08%	9.73%	9.03%	8.66%
Efficiency Ratio	57.46%	60.69%	65.70%	59.18%	57.94%
Net Interest Margin	4.25%	3.66%	3.04%	3.01%	3.06%
Net Charge-offs (Recoveries) to Average Loans	0.01%	0.03%	0.00%	0.00%	(0.02%)
Allowance for Credit Losses as a Percentage of Total Loans ⁽¹⁾	1.18%	1.01%	1.07%	1.30%	1.43%

Per Share Data					
Basic Income	\$ 1.45	\$ 1.24	\$ 0.99	\$ 1.20	\$ 1.22
Diluted Income	\$ 1.41	\$ 1.23	\$ 0.98	\$ 1.18	\$ 1.19
Year-End Book Value	\$ 11.14	\$ 9.63	\$ 8.61	\$ 6.99	\$ 9.73
Cash Dividends Declared	\$ 0.86	\$ 0.72	\$ 0.68	\$ 0.68	\$ 0.78
Dividend Payout Ratio	58.92%	58.13%	68.25%	56.73%	63.98%

Selected Average Balances					
Total Assets	\$ 573,897,509	\$ 590,707,455	\$ 639,728,141	\$ 656,833,125	\$ 589,379,985
Total Loans ⁽²⁾	\$ 362,077,527	\$ 358,649,574	\$ 339,912,450	\$ 320,826,946	\$ 324,078,445
Total Deposits	\$ 501,342,910	\$ 511,959,761	\$ 552,955,814	\$ 596,881,098	\$ 519,900,412
Total Shareholders' Equity	\$ 57,166,583	\$ 49,802,167	\$ 42,597,908	\$ 43,602,112	\$ 54,838,166

⁽¹⁾ Excluding mortgage loans to be sold

⁽²⁾ Including mortgage loans to be sold



Bank of South Carolina Corporation is the holding company of The Bank of South Carolina, a state-chartered financial institution with depository accounts insured by the FDIC. The Bank of South Carolina was organized on October 23, 1986, and our first office opened for business on February 26, 1987. The Bank of South Carolina is focused on the following three markets: local businesses and their owners and managers, professionals, and individuals who desire a higher level of service. The Bank of South Carolina seeks to differentiate itself with personal service, responsiveness, attention to detail, and long-term customer relationships.

\$125.1M

Cumulative Earnings

\$71.8M

Cumulative Cash Dividends

The Bank of South Carolina

DEAR SHAREHOLDERS, CUSTOMERS, EMPLOYEES, AND FRIENDS:

On behalf of the Directors and employees of Bank of South Carolina Corporation and its subsidiary, The Bank of South Carolina, it is our privilege to invite you to attend the annual meeting of shareholders on April 14, 2026 at 2:00 p.m. at our North Charleston office. During the meeting, we will conduct an election of Directors, vote on other matters described in the proxy statement, and review the Company's operating results for the first quarter of 2026. We encourage you to review the information contained in this Annual Report to acquaint yourself with the Company's 2025 financial performance.

The Federal Reserve continued its easing campaign in 2025, delivering three 25 basis point cuts and bringing the total reduction to 175 basis points over the past two years. Our balance sheet benefited from these actions, as we were able to reduce funding costs more quickly than the yields on our earning assets, resulting in a 59-basis point improvement in our net interest margin for the year. Combined with steady noninterest income and disciplined control of expenses, we recorded the highest net income in our history.

We also continued to strategically reduce the size of our investment portfolio, with \$30 million in bonds maturing throughout the year. These funds were primarily redeployed into new loans or placed at the Federal Reserve as interest-bearing deposits. In both cases, the yields earned on this liquidity represented a meaningful improvement over what those funds generated as bonds. In 2026, another \$55 million in bonds are scheduled to mature, and we will seek opportunities to redeploy these funds at higher yields.

2025 was indeed a banner year marked by significant achievements, the most notable of which include:

- Return on Average Equity of 13.83%
- Return on Average Assets of 1.38%
- Increased Earnings per Share by \$0.18 or 15%
- Increased Book Value by \$1.51 per share or 16%
- Net Interest Margin increased to 4.25%
- Community Bank Leverage Ratio increased to 11.46%
- Increased cash dividends per share by \$0.14 or 19%
- Paid our 145th quarterly cash dividend to shareholders

In December, we completed our 2023 share repurchase program with the successful buyback of 156,326 total shares at an average price of \$12.79 per share. Concurrently, our Board of Directors authorized a new \$2 million share repurchase program, and we have already begun purchasing shares under this authorization. Our intent is to continue buying back shares as long as we believe our stock is trading below its intrinsic value and we have sufficient capital and liquidity to do so. Additionally, in 2025 we raised our quarterly cash dividend for two consecutive quarters — a first in our history — marking the third increase to our cash dividend within a twelve-month period.

We also celebrated one of our founding employees, Lucy Ashley, who retired after nearly 39 years of service to our Bank and more than 50 years in the banking industry. Lucy will be greatly missed by her colleagues and customers alike. On January 1, 2026, we welcomed two new members to our management team: Chief Credit Officer, Jennifer Arato, and Senior Lender, Robert Hollings. Together, they have assumed the duties and responsibilities previously held by Douglas Sass as part of a long-standing management succession plan, allowing Douglas to focus exclusively on business development. Remarkably, these three individuals collectively possess 84 years of banking experience! Furthermore, each one has played a key part in shaping the Bank's loan portfolio and credit culture, and they will continue building upon that foundation going forward.

None of our success in 2025 would have been possible without our dedicated team of employees, whose commitment to serving our customers with care and responsiveness continues to drive the Bank forward. We look ahead to 2026 with optimism and confidence in our ability to deliver strong results for our deserving shareholders.



Eugene H. Walpole, IV
President & CEO



Hugh C. Lane, Jr.
Chairman



Susanne K. Boyd
Executive Vice President
& COO



Jennifer A. Arato
Senior Vice President
& CCO



Robert M. Hollings, III
Senior Vice President
& Senior Lender

**BANK OF SOUTH CAROLINA CORPORATION
AND SUBSIDIARY**

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BANK OF SOUTH CAROLINA CORPORATION
256 Meeting Street
Charleston, South Carolina 29401
(843) 724-1500

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 14, 2026

Dear Shareholder:

I cordially invite you to attend the Annual Meeting of Shareholders of Bank of South Carolina Corporation, to be held on April 14, 2026 at 2:00 p.m. EDT at 9403 Highway 78, North Charleston, South Carolina 29456, for the following purposes:

1. to elect sixteen directors to our Board of Directors to serve a one-year term; and
2. to ratify the appointment of Elliott Davis, LLC as the Company's independent auditors for the year ending December 31, 2026.

The Board of Directors has set the close of business on February 26, 2026 as the record date to determine the Shareholders who are entitled to vote at the Annual Meeting. We are providing access to our proxy materials by sending you this full set of proxy materials, including a proxy card, and notifying you of the availability of our proxy materials on the internet.

Although we would like each Shareholder to attend the Annual Meeting, we realize that for some of you this is not possible. Whether or not you plan to attend the Annual Meeting, we encourage you to vote as soon as possible through the internet, by telephone or by signing, dating and mailing your proxy card in the enclosed postage-paid envelope. Internet voting permits you to vote at your convenience, 24 hours a day, seven days a week. For specific instructions on voting, please refer to the instructions on the enclosed proxy card.

Our 2026 Proxy Statement and Annual Report for the year ended December 31, 2025 are available free of charge at <https://www.banksc.com> and <https://www.proxyvote.com>.

Your vote is very important, and I appreciate the time and consideration that I am sure you will give it.

On behalf of the Board of Directors,

/s/ Richard W. Hutson, Jr.
Richard W. Hutson, Jr., Secretary
March 6, 2026

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**PROXY STATEMENT
FOR
THE ANNUAL MEETING OF SHAREHOLDERS
OF BANK OF SOUTH CAROLINA CORPORATION
TO BE HELD ON APRIL 14, 2026**

PROXY STATEMENT

The Board of Directors of Bank of South Carolina Corporation (the “Company”) is using this Proxy Statement to solicit proxies from the Company’s Shareholders for the 2026 Annual Meeting of Shareholders. The Company is making this Proxy Statement and the enclosed form of proxy available to its Shareholders on or about March 6, 2026. The mailing address of the Company’s principal executive offices is 256 Meeting Street, Charleston, South Carolina 29401.

The information provided in this Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. The Board encourages you to read it carefully.

INFORMATION ABOUT THE ANNUAL MEETING

Time and Place of the Annual Meeting

The Annual Meeting will be held as follows:

Date: April 14, 2026

Time: 2:00 p.m. Eastern Daylight Time

Place: The Bank of South Carolina, 9403 Highway 78, North Charleston, South Carolina 29456

Matters to be Considered at the Annual Meeting

At the meeting, you will be asked to consider and vote upon the following matters:

Proposal 1: To elect sixteen directors of Bank of South Carolina Corporation to serve until the Company’s 2027 Annual Meeting of Shareholders.

Proposal 2: To ratify the appointment of Elliott Davis, LLC as the Company’s independent auditors for the year ending December 31, 2026.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDERS’ MEETING TO BE HELD APRIL 14, 2026**

This Proxy Statement (providing important information for the Annual Meeting) and the Company’s Annual Report accompany this Notice. The Proxy Statement and Annual Report are available at <https://www.banksc.com> and at <https://www.proxyvote.com>.

Who is Entitled to Vote?

The Board of Directors of the Company has fixed the close of business on February 26, 2026, as the record date for Shareholders entitled to notice of and to vote at the Annual Meeting of Shareholders. Only holders of record of Bank of South Carolina Corporation's Common Stock on that date are entitled to notice of and to vote at the Annual Meeting. Each Shareholder is entitled to one vote for each share of Bank of South Carolina Corporation Common Stock that the Shareholder owns; provided, however, that the Shareholders have cumulative voting rights for the election of directors. The right to cumulate votes means that the Shareholders are entitled to multiply the number of votes they are entitled to cast by the number of directors for whom they are entitled to vote and cast the product for a single candidate or distribute the product among two or more candidates. On February 26, 2026, there were 5,390,659 shares of Bank of South Carolina Corporation's Common Stock outstanding and entitled to vote at the Annual Meeting.

How Do I Vote?

If you are the "record holder" of your shares, meaning that you own your shares in your own name and not through a bank, broker or other nominee, you may vote in one of four ways:

1. **You may vote over the internet.** If you have internet access, you may vote your shares from any location in the world by following the "Vote by Internet" instructions on the enclosed proxy card.
2. **You may vote by telephone.** You may vote your shares by following the "Vote by Telephone" instructions on the enclosed proxy card.
3. **You may vote by mail.** You may vote by completing and signing the proxy card enclosed with this Proxy Statement and promptly mailing it in the enclosed postage-prepaid envelope. You do not need to put a stamp on the enclosed envelope if you mail it in the United States.
4. **You may vote in person.** If you attend the Annual Meeting, you may vote by delivering your completed proxy card in person or voting in person at the Annual Meeting.

How Do I Vote at the Annual Meeting?

Proxies are solicited to provide all Shareholders of record on the voting record date an opportunity to vote on matters scheduled for the Annual Meeting and described in these materials. You are a Shareholder of record if your shares of the Company's Common Stock are held in your name. If you are a beneficial owner of the Company's Common Stock held by a broker, bank or other nominee (i.e., in "street name"), please see the instructions in the following question.

Shares of the Company's Common Stock can only be voted if the Shareholder is present in person or by proxy at the Annual Meeting. To ensure your representation at the Annual Meeting, the Board recommends that you vote by proxy even if you plan to attend the Annual Meeting. You can always change your vote at the meeting if you are a Shareholder of record.

Voting instructions are included in this material. Shares of the Company's Common Stock represented by properly executed proxies will be voted by the individuals named on the proxy, selected by the Board of Directors, in accordance with the Shareholder's instructions. Where properly executed proxies are returned with no specific instructions as to how to vote at the Annual Meeting, the persons named in the proxy will vote the shares "For" the election of each of the sixteen nominees named in Proposal 1 and "For" Proposal 2. If any other matters are properly presented at the Annual Meeting for action, the persons named in the enclosed proxy and acting thereunder will have the discretion to vote on these matters in accordance with their best judgment.

As a Shareholder of the Company's Common Stock, you may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children. In this example, you will receive three separate proxy cards to vote.

What if my Shares Are Held in Street Name?

If your shares are held in street name, you will need proof of ownership to be admitted to the Annual Meeting. A recent brokerage statement or a letter from the record holder of your shares are examples of proof of ownership. If you want to vote your shares of the Company's Common Stock held in street name in person at the Annual Meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

Who Will Pay the Expenses of the Proxy Solicitation?

The solicitation of proxies on behalf of the Board of Directors is conducted by directors, officers and regular employees of the Company and its wholly owned subsidiary, The Bank of South Carolina (the “Bank”), at no additional compensation over regular salaries. All proxy solicitation expenses, including the cost of printing and mailing of all proxy materials, will be paid by the Company. Brokers and others involved in handling and forwarding the proxy materials to their customers having beneficial interests in the stock of the Company registered in the names of Nominees will be reimbursed for their reasonable expenses in doing so.

How Many Shares Must be Present to Hold the Meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of at least a majority of the shares of the Company’s Common Stock entitled to vote at the Annual Meeting as of the record date shall constitute a quorum. Proxies received but marked as abstentions or broker non-votes (as defined below) will be included in the calculation of the number of shares considered to be present at the meeting.

What if a Quorum is Not Present at the Meeting?

If a quorum is not present at the scheduled time of the meeting, a majority of the Shareholders present or represented by proxy may adjourn the meeting until a quorum is present. The time and place at which the adjourned meeting will be reconvened will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for 30 days or more. An adjournment will have no effect on the business that may be conducted at the meeting.

Will Cumulative Voting Apply for the Election of Directors?

Yes. Per Article II, Section 13 of the Company’s by-laws, every Shareholder entitled to vote on the election of directors has the right to vote the number of shares owned for as many persons as there are directors to be elected, or to cumulate their votes by giving one candidate a number of votes equal to the number of directors multiplied by the number of shares owned by the shareholder, or by distributing such votes among any number of candidates. A shareholder who intends to cumulate their votes shall either (1) give written notice of such intention to the President or other officer of the Company at least 48 hours before the Annual Meeting, or (2) announce their intention at the Annual Meeting before the voting for directors begins.

How Will Votes be Counted?

“Withhold” votes, abstentions, and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting. A broker non-vote occurs when a nominee holding shares in street name for a beneficial owner votes on one proposal but does not vote on another proposal because, with respect to such other proposal, the nominee does not have discretionary voting power and has not received voting instructions from the beneficial owner.

Under New York Stock Exchange (“NYSE”) rules, Proposal 2, the ratification of the appointment of Elliott Davis, LLC, as the Company’s independent auditors for the year ending December 31, 2026, is considered a “routine” matter, which means that brokerage firms may vote in their discretion on this proposal on behalf of clients who have not furnished voting instructions. However, Proposal 1, the election of directors, is a non-routine matter under the NYSE rules, which means that brokerage firms that have not received voting instructions from their clients on this matter may not vote on this proposal.

With respect to Proposal 1, the election of directors, only “for” and “withhold” votes may be cast. Broker non-votes are not considered votes cast on Proposal 1 and will therefore have no effect on the election of director nominees. “Withhold” votes will also generally have no effect on the election of director nominees.

With respect to Proposal 2, you may vote “for” or “against” this proposal or you may “abstain” from voting on this proposal. Abstentions will be counted as votes present or represented and entitled to vote on this proposal and will therefore have the same effect as a vote “against” this proposal. Because Proposal 2 is considered a “routine” matter, we do not expect any broker non-votes with respect to this proposal.

What Vote is Required to Approve Each Proposal?

The voting requirements for approval of each proposal are as follows:

Proposal 1, Election of Directors. Directors are elected by a plurality of votes cast (meaning that the sixteen director nominees who receive the highest number of votes cast “for” their election will be elected as directors).

Proposal 2, Ratification of the Appointment of Independent Auditors. Ratification of the appointment of Elliott Davis, LLC, to serve as the Company’s independent auditors for the year ending December 31, 2026 requires the affirmative vote of the holders of a majority of shares present in person or represented by proxy and entitled to vote on the proposal (meaning that, of the shares represented at the Annual Meeting and entitled to vote, a majority of them must be voted “for” the proposal for it to be approved).

How do I Revoke my Proxy or Change my Vote?

You may revoke your proxy or change your vote at any time before the vote is taken at the Annual Meeting. If you are a Shareholder of record, you may revoke your proxy or change your vote by (1) submitting a written notice of revocation to the Company’s President; (2) delivering a proxy bearing a later date via the internet, by telephone, or by mail until the applicable deadline for each method; or (3) attending the Annual Meeting and voting in person. Attending the Annual Meeting will not cause your previously granted proxy to be revoked unless you vote during the meeting. For all methods of voting, the last vote cast will supersede all previous votes. If you hold your shares in street name and have instructed your broker, bank, trustee, or other nominee to vote your shares, you may revoke or change your voting instructions by following the specific instructions provided to you by your broker, bank, trustee, or other nominee.

PROPOSAL 1: ELECTION OF DIRECTORS

Our by-laws provide for a Board of Directors consisting of not fewer than fifteen individuals and not more than twenty-five individuals. The number of directors may be increased or decreased from time to time by majority vote of the Board of Directors or the Shareholders.

The Board of Directors proposes that the sixteen nominees described below be elected for a new term expiring at the 2027 Annual Meeting of Shareholders or until their respective successors are duly elected and qualified. Each nominee has agreed to serve if elected. If any named nominees are unable to serve, the Board of Directors, upon the recommendation of the Nominating Committee, may select different nominees for election as directors.

The Board of Directors believes it is necessary for each one of our directors to possess many qualities and skills to fulfill his or her role successfully. When searching for new candidates, the Nominating Committee considers the evolving needs of the Board of Directors and searches for candidates that fill any current or anticipated future gap. The Board of Directors also believes that all directors must possess a considerable amount of business management (such as experience as a Chief Executive Officer or Chief Financial Officer) and educational experience. The Nominating Committee first considers management experience and then considers issues of judgment, background, community involvement, conflicts of interest, integrity, ethics, and commitment to the goal of maximizing Shareholder value when considering director candidates. The Nominating Committee focuses on issues of diversity, such as diversity in gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board of Directors and the Nominating Committee believe it is essential that the directors represent diverse viewpoints. In considering candidates for the Board of Directors, the Nominating Committee considers the entirety of each candidate’s credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual’s contributions to the Board of Directors are also considered.

Certain information with respect to each nominee is set forth below, including his or her principal occupation, qualifications, and current and prior directorships. The Nominating Committee, whose goal is to assemble a Board that operates cohesively, encourages candid communication and discussion, and focuses on activities that help us maximize Shareholder value, recommends each one of the nominees to the Board of Directors. The Nominating Committee also looks at the individual strengths of directors, his or her ability to contribute to the Board, and whether his or her skills and experience complement those of the other directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE “FOR ALL” OF THE NOMINEES.

Employee Directors

Susanne K. Boyd

Age 49

First elected to the Board 2018

Ms. Boyd has been with the Bank since 1997 and has served as the Courier Teller, Check Card Specialist, Electronic Banking Officer, Information Security Officer, Assistant Vice President, Vice President, and Senior Vice President of Operations and Technology. She has served as the Chief Operating Officer for the Bank and Company since November 2015 and was named Executive Vice President for the Bank and Company in December 2017. Ms. Boyd also serves as an Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Ms. Boyd is a graduate of the College of Charleston, South Carolina Bankers School and Georgia Bankers Association Southern Operations and Technology School. She has received training in Information Security, Administration of the Bank's core system, and Internet Banking Compliance and Cyber Crime. She is also a Certified Regulatory Vendor Program Manager. Ms. Boyd is a past member of the South Carolina Bankers Association's Operations Committee as well as the South Carolina chapter of the InfraGard. In addition to serving on the Board of Directors of the Bank and Company, Ms. Boyd also serves on the Executive/Long-Range Planning and Asset Liability/Investment Committees.

Hugh C. Lane, Jr.

Age 77

First elected to the Board 1995

Mr. Lane, brother of Charles G. Lane, organized the Bank in 1986, where he served as President & Chief Executive Officer of the Bank from 1986 until 2012. He has served as Chairman of the Board of Directors of the Bank since its organization in 1986, and Chairman of the Board of Directors of the Company since its organization in 1995. Mr. Lane was born in Charleston, SC. He earned a degree in Economics from the University of Pennsylvania. Mr. Lane began his banking career at Citizens and Southern National Bank of Georgia in Atlanta. His banking career also included working in the Bond, Leasing, and International Departments at the Chemical Bank in New York; City Executive of Citizens and Southern National Bank in Sumter, South Carolina; and Executive Vice President, of the Citizens and Southern National Bank's Southern Region. Mr. Lane also served on the Board of Directors of Citizens and Southern National Bank of South Carolina for fourteen years. Mr. Lane formerly served as an Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Mr. Lane is the former Chairman of the Charleston County Conservation Board, former Chairman of the Baruch Foundation, and is the former Treasurer of the Board of Trustees of Ashley Hall School. He has been the recipient of honorary doctorates degrees from Charleston Southern University, The Citadel, and Wofford College. He has also received the *Distinguished Citizen Award* from the Wofford College National Alumni Council, the *Avery Citizenship Award* for outstanding community service, the *Joseph P. Riley Leadership Award*, and the *Order of the Palmetto* presented by the governor of South Carolina. In 2015, Mr. Lane was inducted into the South Carolina Business Hall of Fame. In addition to serving on the Board of Directors of the Bank and Company, Mr. Lane serves on the Executive/Long-Range Planning, Asset Liability/Investment, Loan, and Community Reinvestment Act Committees.

Douglas H. Sass

Age 68

First Elected to the Board 2013

Mr. Sass joined the Bank in January 1994. He has over forty years of experience in banking and oversaw the implementation of the Bank's Real Estate Appraisal Review Program. He has served in various officer level positions at the Bank, including Security Officer, Appraisal Officer, and Community Reinvestment Act Officer before becoming Executive Vice President and Senior Lender in April 2012. Mr. Sass also serves as an Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Mr. Sass is a native of Charleston and a graduate of The Citadel with a degree in Business Administration. He is also a graduate of the South Carolina Bankers School and the Graduate School of Bank Management at the University of Virginia. Mr. Sass previously served as President of The Charleston Museum Board of Trustees and board member of the Regents Tri-County Family Ministries. He remains active in various civic organizations. In addition to serving on the Board of Directors of the Bank and Company, Mr. Sass serves on the Executive/Long-Range Planning, Asset Liability/Investment, Loan, and Community Reinvestment Act Committees.

Eugene H. Walpole, IV**Age 40****First elected to the Board 2018**

Mr. Walpole joined the Bank in September 2012. Since that time, he has served as Assistant Vice President, Vice President, and Senior Vice President in the role of Risk Management Officer. In March 2016, Mr. Walpole was named Chief Financial Officer of the Bank and Corporation and, in December 2017, was named Executive Vice President of the Bank and Corporation. On October 1, 2023, Mr. Walpole assumed the role of President & Chief Executive Officer of the Bank and Corporation. Mr. Walpole also serves as Administrator and Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Mr. Walpole is a Charleston native and graduate of Presbyterian College, University of South Carolina, and South Carolina Bankers School. He holds the designations of Certified Public Accountant, Certified Financial Services Auditor, and a Certification in Risk Management Assurance. Mr. Walpole previously served on the Boards of the Lowcountry Land Trust and Coastal Conservation Association of South Carolina. He currently serves on the Boards of the Preservation Society of Charleston and the South Carolina Bankers Association. In addition to serving on the Board of Directors of the Bank and Company, Mr. Walpole serves on the Executive/Long-Range Planning, Asset Liability/Investment, Community Reinvestment Act, and Loan Committees.

Non-Employee Directors**Graham M. Eubank, Jr.****Age 58****First elected to the Board 2005**

Mr. Eubank has been a member of the Board of Directors of the Bank and the Company since 2005. He was born in Fayetteville, North Carolina and raised in Charleston, South Carolina. He received a BS in Management from Clemson University. He is also a graduate of the National Automobile Dealers Association Dealer Candidate Academy. In 1992, Mr. Eubank began working with his family's business, Palmetto Ford, Inc., where he has held various positions including New Vehicle Sales Manager, Used Vehicle Sales Manager and Parts and Service Director. Currently, Mr. Eubank is President and CEO of the Palmetto Automotive Group, which is comprised of Palmetto Ford, Palmetto Lincoln, Palmetto Bronco, and Palmetto Boat Sales. In addition to serving on the Board of Directors of the Bank and Company, Mr. Eubank serves on the Nominating and Executive/Long-Range Planning Committees and is Chairman of the Compensation Committee. Mr. Eubank also serves as Lead Director of the Bank and Company, a position he has held since 2024.

Fleetwood S. Hassell**Age 66****First elected to the Board 2006**

Mr. Hassell has been with the Bank since its organization in 1986 and retired in 2023. During his career of over forty years in banking, Mr. Hassell held the positions of Assistant Vice President, Vice President, Senior Vice President, Executive Vice President, Senior Lender, and President/Chief Executive Officer. Born and raised in Charleston, SC, Mr. Hassell earned a BS and MBA from the University of South Carolina School of Business. He was elected to the Board of Directors of the Bank and the Company in 2006. Mr. Hassell serves as a Trustee of the Bank of South Carolina Employee Stock Ownership Plan and Trust. Mr. Hassell previously served on the boards of the South Carolina State Board of Financial Institutions, the Association for the Blind and Visually Impaired, Trident United Way (Past Chairman), the College of Charleston Foundation, and the South Carolina Bankers Association (Past Chairman). In addition to serving on the Board of Directors of the Bank and Company, Mr. Hassell serves on the Executive/Long-Range Planning, Asset Liability/Investment, Community Reinvestment Act, and Loan Committees.

Glen B. Haynes, DVM**Age 71****First elected to the Board 2007**

Dr. Haynes has been a member of the Board of Directors of the Bank and the Company since 2007. He was born in Charlottesville, Virginia and has lived in Summerville, South Carolina for 40 years. He graduated from Virginia Tech with a BS in Biology and received a DVM from the University of Georgia. Dr. Haynes has served as President of the Summerville Rotary Club, the Frances Willis SPCA, the Trident Veterinary Medical Association, as well as Chairman of the South Carolina Board of Veterinary Medical Examiners. Currently, Dr. Haynes is Chairman of the Frances Willis SPCA Endowment Board and is a construction volunteer for Habitat for Humanity. He and his therapy dog, Gracie, also visit rehab and nursing homes. Dr. Haynes is a member of the American Veterinary Medical Association and a member of St. Paul's Anglican Church, where he has served on the vestry. In addition to serving on the Board of Directors of the Bank and Company, Dr. Haynes serves on the Loan and Community Reinvestment Act Committees and is Chairman of the Nominating Committee.

William L. Hiott, Jr.

Age 81

First elected to the Board 1995

Mr. Hiott was with the Bank from its organization in 1986 until his retirement in 2011. He held various positions including Executive Vice President and Cashier of the Bank and Company. He has served on the Board of Directors of the Bank since its organization in 1986 and the Company since its organization in 1995. He received a BS in Accounting from Charleston Southern University and is a graduate of the South Carolina Bankers School and the University of Wisconsin's Bank Administration Graduate School. In addition to serving on the Board of Directors of the Bank and Company, Mr. Hiott serves on the Executive/Long-Range Planning, Asset Liability/Investment, and Compensation Committees.

Richard W. Hutson, Jr.

Age 68

First elected to the Board 2005

Mr. Hutson has been a member of the Board of Directors of the Bank and Company since 2005. He received a BA from The University of the South and is Manager of William M. Means Insurance Company. Mr. Hutson has served as a board member and Past President of the South Carolina Historical Society as well as the Historic Charleston Foundation. In addition to serving on the Board of Directors of the Bank and Company, Mr. Hutson serves on the Asset Liability/Investment and Audit & Compliance Committees, and he is also Secretary of the Board of Directors of the Company.

Charles G. Lane

Age 71

First elected to the Board 1995

Mr. Lane is the brother of Hugh C. Lane, Jr. and has been a member of the Board of Directors of the Bank since its organization in 1986, and a member of the Board of Directors of the Company since its organization in 1995. He has devoted nearly forty years to ensuring the success of the Company. He is a graduate of Clemson University and Managing Member of Holcombe, Fair and Lane, LLC - a commercial real estate company. In addition to serving on the Board of Directors of the Bank and Company, Mr. Lane serves on the Executive/Long-Range Planning, Asset Liability/Investment, Loan, and Community Reinvestment Act Committees.

Cynthia M. Legette

Age 54

Director Nominee

Mrs. Legette is a Relationship Manager and Principal in the Charleston office of Diversified Trust, where she also serves as Chief Operating Officer. Before joining Diversified Trust, she was a Senior Vice President and Private Client Manager at U.S. Trust. Mrs. Legette began her career with our Bank in 1992, having served as an Assistant Vice President and Branch Manager. She holds a BS from the College of Charleston and an MBA from The Citadel, and she is past President and board member of the Charleston Animal Society and College of Charleston Alumni Association. Mrs. Legette is also a founding member of the College of Charleston's Women for Women Summit Conference and currently serves on the boards of Big Brothers Big Sisters of the Lowcountry and the College of Charleston School of Business.

Josette R.E. Pelzer, PhD, CPA

Age 42

First elected to the Board 2022

Dr. Pelzer is an associate professor in the department of Accounting and Business Law at the College of Charleston. She currently teaches introductory accounting, intermediate accounting, and an audit course in the graduate program. Dr. Pelzer has five years of audit experience with a global CPA firm and nine years in academia, during which time she has published several articles on auditor reporting and audit education. She is a member of the South Carolina Association of CPAs. Dr. Pelzer is a native Charlestonian and earned both a BS in Business Administration and a Master of Accountancy from the University of South Carolina, as well as a PhD in Accounting from Florida State University. In addition to serving on the Board of Directors of the Bank and the Company, Dr. Pelzer is Chairman of the Audit & Compliance Committee.

Karen J. Phillips

Age 64

First elected to the Board 2017

Mrs. Phillips received a BA in Political Science from The University of the South and an MBA in Finance from The University of South Carolina. She is a Certified Financial Planner and is President of Atlantic Coast Asset Management, Inc., a financial management firm. She is a past member of the Board of Directors of Kanuga Conferences, Inc., past Chairman of the Board of Trustees of Ashley Hall School, where she serves as a Trustee Emerita, and previous board member of Life Resources, Inc. In addition to serving on the Board of Directors of the Bank and Company, Mrs. Phillips serves on the Audit & Compliance, Executive/Long-Range Planning, Nominating, Loan, and Community Reinvestment Act Committees.

Malcolm M. Rhodes, MD**Age 66****First elected to the Board 2005**

Dr. Rhodes has been a member of the Board of Directors of the Bank and Company since 2005. He received a BA from Duke University and an MD from the Medical University of South Carolina. He is a Fellow of the American Board of Pediatrics and former partner at Parkwood Pediatric Group. Dr. Rhodes served on the clinical faculty at MUSC and Bon-Secours St. Francis Hospitals. He also represents South Carolina on the Atlantic States Marine Fisheries Commission and serves on the boards of the Carolina Gold Rice Foundation and the TriCounty Forestry Association. He has served previously on the boards of Charleston Stage Company, Coastal Conservation Association, and Ashley Hall School. In addition to serving on the Board of Directors of the Bank and the Company, Dr. Rhodes serves on the Asset Liability/Investment and Audit & Compliance Committees.

Sheryl G. Sharry**Age 71****First elected to the Board 2010**

Mrs. Sharry was with the Bank since its organization in 1986 until her retirement in 2016. She held various positions in the Bank, including but not limited to Assistant Vice President – Operations Department, Vice President – Operations & Technology, Senior Vice President – Operations & Technology, and Chief Financial Officer/Executive Vice President. Mrs. Sharry became a member of the Board of Directors of the Bank and Company in 2010. She is a graduate of the College of Charleston, South Carolina Bankers School, and the School of Bank Investments and Financial Management. In addition to serving on the Board of Directors of the Bank and the Company, Mrs. Sharry serves on the Executive/Long-Range Planning Committee and is Chairman of the Asset Liability/Investment Committee.

Thaddeus T. Shuler**Age 46****First elected to the Board 2023**

Mr. Shuler is a Charleston native. After receiving a BS in Industrial Management and a minor in German at Clemson University, he worked overseas for a large multi-national corporation. When he returned to Charleston, he began working for his family business, Southern Lumber and Millwork Corporation, where he assumed the role of President and CEO in 2016. Mr. Shuler has served on the Board of the Building Materials Supplier Association for over 10 years, including as Chairman in 2019. He also served on the Clemson University Wood Utilization Department Board. He currently serves on the Lumbermen Merchandising Corporation Education Committee. In addition to serving on the Board of Directors of the Bank and the Company, Mr. Shuler serves on the Compensation, Loan, Community Reinvestment Act, and Audit & Compliance Committees.

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following tables set forth, as of February 26, 2026, information regarding share ownership of:

- those persons or entities (or groups of affiliated persons or entities) known by management to beneficially own more than five percent of our common stock;
- each employee director;
- each non-employee director; and
- each director nominee

To the extent known to the Board of Directors, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares our Common Stock as of the close of business on February 26, 2026.

The tables below include shares owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership over which shares the persons named in the table may possess voting and/or investment power.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock.....	Hugh C. Lane, Jr. ⁽¹⁾	714,961 ⁽²⁾	13.26%
Common Stock.....	The Bank of South Carolina Employee Stock Ownership Plan and Trust (“the ESOP”)	401,033 ⁽³⁾	7.44%
Common Stock.....	Charles G. Lane	298,694 ⁽⁴⁾	5.54%

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Employee Directors			
Common Stock	Susanne K. Boyd ⁽³⁾	16,784 ⁽⁴⁾	*
Common Stock	Hugh C. Lane, Jr. ⁽¹⁾	714,961 ⁽²⁾	13.26%
Common Stock	Douglas H. Sass ⁽³⁾	53,315 ⁽⁴⁾	*
Common Stock	Eugene H. Walpole, IV ⁽³⁾	22,345 ⁽⁴⁾	*
Non-Employee Directors			
Common Stock	David W. Bunch	3,952	*
Common Stock	Graham M. Eubank, Jr.	5,191	*
Common Stock	Fleetwood S. Hassell ⁽³⁾	118,772 ⁽⁴⁾	2.20%
Common Stock	Glen B. Haynes, DVM	14,478	*
Common Stock	William L. Hiott, Jr.	222,065 ⁽⁴⁾	4.12%
Common Stock	Richard W. Hutson, Jr.	8,963	*
Common Stock	Charles G. Lane	298,694 ⁽⁴⁾	5.54%
Common Stock	Josette R. E. Pelzer, PhD, CPA	519	*
Common Stock	Karen J. Phillips	11,696 ⁽⁴⁾	*
Common Stock	Malcolm M. Rhodes, MD	6,918	*
Common Stock	Sheryl G. Sharry	99,918	1.85%
Common Stock	Thaddeus T. Shuler	1,101	*
Director Nominee			
Common Stock	Cynthia M. Legette	662	*
Total		1,600,335	29.69%

* Represents less than 1%

- (1) To the extent known to the Board, the children and grandchildren of Hugh C. Lane, Jr. have beneficial ownership of 415,630 shares, or 7.71%, of the outstanding shares. Hugh C. Lane, Jr., disclaims any beneficial interest in those shares in which other members of his family have a beneficial interest, other than those shares his wife owns and those shares for which he serves as Trustee (as more fully described in the following footnote).
- (2) To the extent known to the Board, Hugh C. Lane, Jr., Chairman of the Board of both the Bank and the Company, owns and has sole voting and investment power with respect to 215,313 shares; as a Trustee of the Mills Bee Lane Memorial Foundation, he has shared voting and investment power with respect to 13,084 shares; he is indirectly beneficial owner of 16,986 shares owned by his wife and 53,948 shares owned by the ESOP in which he has a vested interest. Hugh C. Lane, Jr. disclaims any beneficial interest in the 415,630 shares owned by his children and grandchildren. Hugh C. Lane, Jr., has had beneficial ownership of more than 5% of our common stock since October 23, 1986.
- (3) The Trustees of the Employee Stock Ownership Plan (“ESOP”), Susanne K. Boyd, Chief Operating Officer/Executive Vice President and Director of the Bank and Company; Fleetwood S. Hassell, Director of the Bank and Company; Douglas H. Sass, Executive Vice President and Director of the Bank and Company; and Eugene H. Walpole, IV, President/Chief Executive Officer and Director of the Bank and Company disclaim beneficial ownership of the 401,033 shares owned by the ESOP, with all shares allocated to members of the Plan and each of whom, under the terms of the Plan, has the right to direct the Trustees as to the manner in which voting rights are to be exercised.
- (4) To the extent known to the Board of Directors, the following directors (each of whom directly owns and has sole voting and investment power of all shares beneficially owned by him or her except as set forth in this footnote) indirectly own the following number of shares: **Susanne K. Boyd** – an aggregate of 12,694 shares owned by her children and shares owned by the ESOP in which she has a vested interest; **Fleetwood S. Hassell** – an aggregate of 63,175 shares owned by his wife, held by him as a co-Trustee with Charles G. Lane for the children of Hugh C. Lane, Jr., and shares owned by the ESOP in which he has a vested interest; **William L. Hiott, Jr.** – an aggregate of 21,428 shares owned by his wife and children; **Charles G. Lane** – an aggregate of 74,367 shares owned by his wife, held by him as a co-Trustee with Fleetwood S. Hassell for the children of Hugh C. Lane, Jr., held by him as a Trustee of the Mills Bee Lane Memorial Foundation, and held by him as a Trustee of the Holcombe Trust; **Karen J. Phillips** – 6,721 shares owned by her husband; **Douglas H. Sass** – an aggregate of 31,951 shares owned by his wife, children, grandchildren, and shares owned by the ESOP in which he has a vested interest; **Eugene H. Walpole, IV** – 10,514 shares owned by the ESOP in which he has a vested interest. All such indirectly owned shares are included in the totals of the number of shares set forth in the above table and beneficially owned by the directors.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE MATTERS

Introduction

The Company's Board of Directors conducts its business through Board meetings and through its committees. Hugh C. Lane, Jr. presently serves as Chairman of the Board of Directors. The Board of Directors of the Company held six meetings (including all regularly scheduled and special meetings) during the year ended December 31, 2025. With the exception of Thaddeus T. Shuler, no directors attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board of Directors on which they served. The Company does not have a policy with regard to directors' attendance at the Annual Meeting of Shareholders. However, directors are expected to attend the Annual Meeting of Shareholders absent a valid reason for not doing so.

Director Independence

The Board of Directors is comprised of a majority of non-employee directors. All members of the Audit & Compliance Committee, the Compensation Committee, and the Nominating Committee are non-employees. The members of these committees do not have any relationship to the Bank or Company that may interfere with the exercise of their independence from management. None of the members of the Nominating Committee are current or former officers or employees of the Bank or Company. One member of the Compensation Committee, William L. Hiott, Jr., retired from the Bank in April 2010. Three members of the Executive/Long-Range Planning Committee, William L. Hiott, Jr., Sheryl G. Sharry, and Fleetwood S. Hassell retired from the Bank in April 2010, April 2016, and September 2023, respectively. All members of the Board of Directors are non-employees except Hugh C. Lane, Jr., Chairman of the Board, Douglas H. Sass, Executive Vice President, Susanne K. Boyd, Chief Operating Officer/Executive Vice President, and Eugene H. Walpole, IV, President/Chief Executive Officer.

Board Leadership Structure

The Board of Directors currently separates the roles of Chairman of the Board and Chief Executive Officer. The Board of Directors believes that Hugh C. Lane, Jr., is the best person to serve as Chairman because he is the director most familiar with our business and industry, and most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy.

Non-employee directors have different perspectives and roles in strategy development. Our non-employee directors bring experience, oversight and expertise from outside the Company and industry, while employee directors bring Company-specific experience and expertise. The Board of Directors believes the combined experience of non-employee and employee directors promotes strategic development and facilitates information flow between management and the Board of Directors, which is essential to effective governance.

One of the key responsibilities of the Board of Directors is to develop strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of the Chairman and a non-employee Lead Director, having the duties described below, is in the best interest of Shareholders, as it provides the appropriate balance between strategy development and independent oversight of management.

Lead Director

The Board of Directors elected Graham M. Eubank, Jr., a non-employee director, to serve as Lead Director of all meetings of the non-employee directors held in Executive Session. Mr. Eubank has held this position since September 26, 2024.

Risk Management

The Board of Directors has an active role, as a whole and at the committee level, in overseeing the management of our risks. The Board of Directors regularly reviews information regarding our credit, liquidity, and operations, as well as the risks associated with each area. The Audit & Compliance Committee oversees the management of financial risks. The Nominating Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. The Board of Directors monitors financial and independence risks and oversees the management of such risks through committee reports. In addition, the Audit & Compliance Officer oversees internal controls.

Committees and Committee Charters

The Board of Directors of the Company has four standing committees: the Executive/Long-Range Planning Committee, the Compensation Committee, the Nominating Committee, and the Audit & Compliance Committee. Each committee serves in a dual capacity as a committee of the Company and the Bank.

The following table lists the membership of the standing committees of the Board of Directors of the Company.

Director	Audit & Compliance	Executive/ Long-Range Planning	Compensation Committee	Nominating Committee
Susanne K. Boyd		•		
David W. Bunch				
Graham M. Eubank, Jr.		•	•	•
Fleetwood S. Hassell		•		
Glen B. Haynes, DVM				•
William L. Hiott, Jr.		•	•	
Richard W. Hutson, Jr.	•			
Charles G. Lane		•		
Hugh C. Lane, Jr.		•		
Josette R. E. Pelzer, PhD, CPA	•			
Karen J. Phillips	•	•		•
Malcolm M. Rhodes, MD	•			
Douglas H. Sass		•		
Sheryl G. Sharry		•		
Thaddeus T. Shuler	•		•	
Eugene H. Walpole, IV		•		

Audit & Compliance Committee

The Board of Directors appoints and approves the members of the Audit & Compliance Committee annually. Under the terms of its Charter, the Audit & Compliance Committee is to be comprised of not less than four members of the Board or such larger number as approved by the Board of Directors. During 2025, the Audit & Compliance Committee held four meetings. Members are considered independent of the Company under applicable rules and regulations.

The Audit & Compliance Committee operates under a written Charter adopted by the Board of Directors, which is renewed and reassessed for adequacy on an annual basis. The Charter outlines the Committee's responsibilities for overseeing the entire audit function and appraising the effectiveness of internal and external audit efforts including reviewing our financial statements, evaluating internal accounting controls, reviewing reports of regulatory authorities, and determining that all examinations required by law are performed. The Board of Directors may amend the Charter at any time.

The Audit & Compliance Committee recommends to the Board of Directors the appointment of the independent auditors for the next fiscal year, reviews and approves the auditors' audit plan, and reviews with the independent auditors the results of the audit and management's response.

Executive/Long-Range Planning Committee

The Executive/Long-Range Planning Committee consists of our President/Chief Executive Officer, Chairman, Executive Vice President, Chief Operating Officer/Executive Vice President, and six designated non-employee directors. During 2025, the Executive/Long-Range Planning Committee held one meeting. In addition to long-range and strategic planning, the principal function of the Committee is to exercise all authority of the Board of Directors in the management and affairs of the Company and the Bank. In addition, the Committee acts on behalf of the entire Board of Directors between the regular Board meetings.

Compensation Committee

The Compensation Committee consists of three non-employee directors appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Committee also functions as the Compensation Committee of the Bank. The duties and responsibilities of the Compensation Committee are as follows:

- to review and approve compensation of the Executive Officers in light of our goals and objectives (Executive Officers may not be present during voting or deliberations on their compensation);
- to administer the 2021 Stock Incentive Plan for non-employee directors;
- to oversee regulatory compliance and risk management with respect to compensation matters;
- to make regular reports to the Board of Directors; and
- to perform any other duties or responsibilities expressly delegated to the Committee by the Board of Directors from time to time.

The Compensation Committee has sole discretion to hire, retain, terminate and approve fees and other retention terms of independent legal, accounting or other advisors (including compensation consultants) as it deems appropriate without management or Board approval. The Committee met one time during 2025 and did not consult independent legal counsel or compensation consultants. The Compensation Committee operates under a written Charter adopted by the Board of Directors, which is reviewed and reassessed for adequacy on an annual basis.

Nominating Committee

The Nominating Committee consists of three non-employee directors. The function of the Nominating Committee is to recommend a slate of proposed directors to the Board of Directors. The Nominating Committee operates under a written Charter adopted by the Board of Directors, which is reassessed for adequacy on an annual basis. The Nominating Committee met once during 2025.

Nominations, other than those made by the Nominating Committee, may be made in writing and delivered or mailed to the President/Chief Executive Officer of the Company not less than 14 days or no more than 50 days prior to any meeting of Shareholders calling for election of directors; provided however, that if less than 21 days' notice of the meeting is given to Shareholders, such nomination shall be mailed or delivered to the President/Chief Executive Officer of the Company not later than the close of business on the 7th day following the day on which the Notice of Meeting was mailed. Nominations not made according to these procedures will be disregarded.

The Nominating Committee has a policy to consider any and all director candidates recommended by Shareholders. The Nominating Committee has adopted specific minimum qualifications which the Nominating Committee believes must be met by a nominee for a position on our Board of Directors. The qualifications include:

- nominee must be recognized as successful in such nominee's business or community efforts;
- have a recognized reputation for honesty and integrity;
- have demonstrated a commitment to the community in which we operate;
- have demonstrated in meetings with the Nominating Committee a commitment to the best interest of the Company, its subsidiary Bank, and their officers, directors, employees and Shareholders

The Nominating Committee's process for identifying and evaluating nominees for director, including nominees recommended by Shareholders, is to investigate whether or not such nominee meets the specific minimum qualifications adopted as a policy by the Committee through contacts the members have in their community. There are no differences in the manner in which the Committee evaluates nominees for director, regardless as to whether the nominee is recommended by a Committee member or a Shareholder.

We do not utilize or pay a fee to any third party to evaluate nominees for director.

Code of Business Conduct and Ethics

We expect all of our employees to conduct themselves honestly and ethically. Our Board of Directors has adopted a Code of Conduct that applies to all officers, employees, and directors of the Company and the Bank. The Code of Conduct requires the officers, employees, and directors to maintain the highest standards of professional ethical conduct. It also includes guidelines relating to the ethical handling of actual or potential conflicts of interest, compliance with laws, accurate financial reporting, and procedures for reporting violations of the Code of Conduct.

Shareholder Communication with the Board of Directors

The Board of Directors has adopted a process by which Shareholders may communicate with them. Shareholders may send a written communication to Eugene H. Walpole, IV, President/Chief Executive Officer, Bank of South Carolina Corporation, 256 Meeting Street, Charleston, South Carolina 29401, or email such communication to Eugene H. Walpole, IV, President/Chief Executive Officer, at gwalpole@banksc.com. A Shareholder is free to address any communication to any director at the address of The Bank of South Carolina. Any communication from a Shareholder received by the President/Chief Executive Officer shall be sent to all members of the Executive/Long-Range Planning Committee and, if any member of the Executive/Long-Range Planning Committee so directs, will be sent to all members of the Board of Directors.

PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF THE COMPANY'S INDEPENDENT AUDITORS

The Audit & Compliance Committee of the Board of Directors has appointed Elliott Davis, LLC as our independent auditors for the year ending December 31, 2026, and that appointment is being submitted to Shareholders for ratification. The appointment of Elliott Davis, LLC as our independent auditors was approved by the Audit & Compliance Committee of the Board of Directors and ratified by the Shareholders at the 2025 Annual Meeting of Shareholders. At the 2026 Annual Meeting of Shareholders, the following resolution will be subject to ratification by a simple majority vote of shares represented at the meeting:

RESOLVED, that the selection of Elliott Davis, LLC as the independent auditors of Bank of South Carolina Corporation (the "Company") and its sole subsidiary, The Bank of South Carolina (the "Bank"), for the year ending December 31, 2026, is hereby ratified.

If ratification is not achieved, the selection of an independent auditor will be reconsidered and made by the Board of Directors. Even if the selection is ratified, the Board of Directors reserves the right to, and in its discretion may, direct the appointment of any other independent auditors at any time if the Board of Directors decides that such a change would be in the best interests of the Company and our Shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ELLIOTT DAVIS, LLC AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 2026.

OTHER MATTERS

We are not aware of any matters to come before the Annual Meeting that will require the vote of Shareholders other than those matters indicated in the Notice of Meeting and this Proxy Statement.

However, if any other matter calling for Shareholder action should properly come before the Annual Meeting or any adjournments thereof, those persons named as proxies will vote thereon according to their best judgment.

ANNUAL REPORT

The Annual Report for the fiscal year ended December 31, 2025 is provided herewith to all Shareholders. Additional copies may be obtained without charge by written request or by visiting <https://www.otcmarkets.com>.

If you and others who share your address own your shares in street name, your broker or other holder of record may be sending one copy only of the Annual Report and Proxy Statement to your address. Known as "householding," this practice reduces the Company's printing and postage costs. However, if you wish to receive a separate Annual Report or Proxy Statement in the future, you should contact your broker or other holder of record. If you own your shares in street name and are receiving multiple copies of our Annual Report and Proxy Statement, you can request householding by contacting your broker or other holder of record.

Management’s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Bank of South Carolina Corporation (the “Company”) is a bank holding company headquartered in Charleston, South Carolina, with \$575.1 million in assets as of December 31, 2025 and net income of \$7.9 million for the year ended December 31, 2025. The Company offers a broad range of financial services through its wholly owned subsidiary, The Bank of South Carolina (the “Bank”). The Bank is a state-chartered commercial bank, which operates principally in the Charleston, Dorchester, and Berkeley counties of South Carolina. The Bank’s original and current concept is to be a full-service financial institution specializing in personal service, responsiveness, and attention to detail to foster long-standing relationships.

We derive most of our income from interest on loans and investment securities. The primary source of funding for making these loans and purchasing investment securities is our interest-bearing and non-interest-bearing deposits. Consequently, one of the key measures of our success is the amount of net interest income, or the difference between the income on our interest-earning assets, such as loans and investments, and the expense on our interest-bearing liabilities, such as deposits. Another key measure is the spread between the yield we earn on these interest-earning assets and the rate we pay on our interest-bearing liabilities.

A consequence of lending activities is that we may incur credit losses. The amount of such losses will vary depending upon the risk characteristics of the loan portfolio as affected by economic conditions such as rising interest rates and the financial performance of borrowers. The reserve for credit losses consists of the allowance for credit losses (the “allowance”) and a reserve for unfunded commitments (the “unfunded reserve”). The allowance provides for probable and estimable losses inherent in our loan portfolio while the unfunded reserve provides for potential losses related to unfunded lending commitments.

In addition to earning interest on loans and investment securities, we earn income through fees and other expenses we charge to the customer. The various components of other income and other expenses are described in the following discussion. The discussion and analysis also identify significant factors that have affected our financial position and operating results as of and for the year ended December 31, 2025 as compared to December 31, 2024, and should be read in conjunction with the consolidated financial statements and the related notes included in this report.

LOANS

We focus our lending activities on small and middle market businesses, professionals, and individuals in our geographic market. At December 31, 2025, outstanding loans (including deferred loan fees of \$373,556) totaled \$361.1 million, which equaled 72.4% of total deposits and 62.80% of total assets.

The following table presents our loan portfolio, excluding both mortgage loans to be sold and deferred loan fees, as of December 31, 2025, compared to the prior four years.

<i>(in thousands)</i>	2025	2024	2023	2022	2021
Commercial	\$ 54,397	\$ 55,737	\$ 54,954	\$ 45,072	\$ 45,804
Commercial real estate construction	26,072	21,585	25,884	17,524	12,054
Commercial real estate other	168,073	173,258	170,774	172,897	165,719
Consumer real estate	109,440	109,712	91,592	91,637	71,307
Consumer other	3,078	3,797	3,787	3,852	3,769
Paycheck protection program	—	—	—	—	7,979
Total	\$ 361,060	\$ 364,089	\$ 346,991	\$ 330,982	\$ 306,632

During the year ended December 31, 2025, total loans decreased \$3.0 million or 0.8%. This decrease is primarily due to paydowns received on Commercial, Commercial real estate other, and Consumer other loans of \$7.2 million during the year, partially offset by an increase of \$4.5 million in Commercial real estate construction loans.

ALLOWANCE FOR CREDIT LOSSES

At December 31, 2025, the allowance for credit losses totaled \$4.3 million or 1.18% of loans, from \$3.7 million as of December 31, 2024. The adequacy of the allowance for credit losses (the “allowance”) is reviewed by Management and the Board of Directors on a quarterly basis. In addition, an independent third party validates the allowance calculation on a periodic basis. For purposes of this analysis, adequacy is defined as a level sufficient to absorb estimated losses in the loan portfolio as of the balance sheet date presented. To remain consistent with GAAP, the methodology employed for this analysis has been modified over the years to reflect the economic environment and new accounting pronouncements.

DEPOSITS

During the year ended December 31, 2025, deposits increased \$8.8 million, or 1.79%, to \$498.7 million from \$489.9 million as of December 31, 2024. Interest-bearing demand deposits increased \$21.9 million to \$145.4 million, while money market deposits decreased \$8.1 million to \$101.3 million, and time deposits \$250,000 and over decreased \$5.5 million to \$37.6 million as of December 31, 2025.

The following table presents average deposits by category.

<i>(in thousands)</i>	2025		2024		2023	
	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid	Average Balance	Average Rate Paid
Non-interest-bearing demand	\$ 164,843	N/A	\$ 172,130	N/A	\$ 202,745	N/A
Interest-bearing transaction accounts	237,029	1.24%	247,918	1.77%	257,104	1.65%
Savings	46,868	0.59%	52,565	0.83%	56,259	0.67%
Time deposits	52,604	3.64%	39,347	1.78%	36,848	0.71%
	<u>\$ 501,344</u>		<u>\$ 511,960</u>		<u>\$ 552,956</u>	

The following table shows the contractual maturities of time deposits in denominations of \$250,000 or more at December 31, 2025 and the amount of time deposits in excess of FDIC insurance limits.

<i>(in thousands)</i>	One Day	Less than three months	Three months to less than six months	Six months to less than one year	One year to less than five years	Five years or more	Total
	CD's and other time deposits less than \$250,000	\$ —	\$ 2,911	\$ 1,604	\$ 3,440	\$ 2,324	\$ —
CD's and other time deposits \$250,000 and over	—	32,645	3,631	1,334	—	—	37,610
Total	<u>\$ —</u>	<u>\$ 35,556</u>	<u>\$ 5,235</u>	<u>\$ 4,774</u>	<u>\$ 2,324</u>	<u>\$ —</u>	<u>\$ 47,889</u>
CD's and other time deposits in excess of FDIC insurance limit	<u>\$ —</u>	<u>\$ 30,294</u>	<u>\$ 2,631</u>	<u>\$ 584</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 33,510</u>

CAPITAL RESOURCES

Our capital needs have been met to date through the \$10.6 million in capital raised in our initial offering, the retention of earnings less dividends paid, and the exercise of options to purchase stock. Total shareholders' equity at December 31, 2025 was \$60.1 million. The rate of asset growth since our inception has not negatively impacted our capital base.

On July 2, 2013, the Federal Reserve Board approved the final rules implementing the Basel Committee on Banking Supervision's ("BCBS") capital guidelines for U.S. banks ("Basel III"). Following the actions by the Federal Reserve, the FDIC also approved regulatory capital requirements on July 9, 2013. The FDIC's rule is identical in substance to the final rules issued by the Federal Reserve Bank.

The purpose of Basel III is to improve the quality and increase the quantity of capital for all banking organizations. The minimum requirements for the quantity and quality of capital were increased. The rule includes a new common equity Tier 1 capital to risk-weighted assets ratio of 4.5% and a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets. The rule also raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4% to 6% and requires a minimum leverage ratio of 4%. In addition, the rule implemented a strict eligibility criterion for regulatory capital instruments and improved the methodology for calculating risk-weighted assets to enhance risk sensitivity.

On November 4, 2019, the federal banking agencies jointly issued a final rule on an optional, simplified measure of capital adequacy for qualifying community banking organizations called the community bank leverage ratio ("CBLR") framework effective on January 1, 2020. A qualifying community banking organization is defined as having less than \$10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. Additionally, the qualifying community banking institution must be a non-advanced approaches FDIC supervised institution. The final rule adopts Tier 1 capital and existing leverage ratio into the CBLR framework. The Bank adopted this rule as of September 30, 2020 and is no longer subject to other capital and leverage requirements. A CBLR bank meeting qualifying criterion is deemed to have met the "well capitalized" ratio requirements and be in compliance with the generally applicable capital rule. The Bank's CBLR as of December 31, 2025 was 11.46%, and the Bank was categorized as "well capitalized." We believe, as of December 31, 2025, that the Bank meets all capital adequacy requirements to which we are subject.

There are no current conditions or events that we are aware of that would change the Bank's capital adequacy category.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 2025 TO DECEMBER 31, 2024

Net income increased \$1.2 million, or 17.15%, to \$7.9 million, or basic and diluted income per share of \$1.45 and \$1.41, respectively, for the year ended December 31, 2025 from \$6.7 million, or basic and diluted income per share of \$1.24 and \$1.23, respectively, for the year ended December 31, 2024. This increase was primarily due to an increase in net interest income. Our returns on average assets and average equity for the year ended December 31, 2025 were 1.38% and 13.83%, respectively, compared to 1.14% and 13.55%, respectively, for the year ended December 31, 2024.

Net Interest Income

Net interest income is affected by the size and mix of our balance sheet components as well as the spread between interest earned on assets and interest paid on liabilities. Net interest margin is a measure of the difference between interest income on earning assets and interest paid on interest-bearing liabilities relative to the amount of interest-bearing assets. Net interest income increased \$2.7 million, or 13.09%, to \$23.3 million for the year ended December 31, 2025 from \$20.6 million for the year ended December 31, 2024. Net interest margin increased 59 basis points to 4.25% for the year ended December 31, 2025 compared to 3.66% for the year ended December 31, 2024.

Average loans increased \$3.5 million, or 1.0% to \$362.1 million for the year ended December 31, 2025, compared to \$358.6 million for the year ended December 31, 2024. The yield on average loans (including fees) was 6.85% and 6.80% for the years ended December 31, 2025 and 2024, respectively. The increase in the yield on average loans was the result of higher interest rates assigned to variable rate loans, as well as higher interest rates on new originations and renewals of fixed rate loans. Interest income on loans increased \$1.0 million for the year ended December 31, 2025 to \$24.8 million from \$23.8 million for the year ended December 31, 2024.

The average balance of interest-bearing deposits at the Federal Reserve increased \$28.3 million, or 228.9%, to \$40.6 million for the year ended December 31, 2025, with a yield of 5.18% as compared to \$12.3 million for the year ended December 31, 2024, with a yield of 5.33%.

Average earning assets decreased \$14.5 million, or 2.58%, to \$547.8 million for the year ended December 31, 2025 from \$562.3 million for the year ended December 31, 2024. This change is primarily related to a decrease in the average balance of investment securities partially offset by an increase in loans and interest-bearing deposits at the Federal Reserve.

The average balance of deposits decreased \$10.6 million or 2.07% to \$501.3 million for the year ended December 31, 2025, with a yield of 1.53% as compared to \$511.9 million for the year ended December 31, 2024, with a yield of 1.68%. The improvement in our funding costs in 2025 reflects the Federal Reserve's decision to lower interest rates three times during the year.

We incurred no interest on short-term borrowings during the year ended December 31, 2025, as compared to \$674,000 during the year ended December 31, 2024. This decrease was due to our ability to extinguish all short-term borrowings in the prior year.

Provision for Credit Losses

We recorded a provision for credit losses of \$600,000 for the year ended December 31, 2025 compared to \$75,000 for the year ended December 31, 2024. The Board of Directors determined that this provision was appropriate based upon our analysis of the adequacy of the allowance for credit losses. Charge-offs of \$24,455 and recoveries of \$1,729, combined with the provision for credit losses of \$600,000, resulted in an allowance for credit losses of \$4.3 million or 1.18% of total loans as of December 31, 2025.

Non-Interest Income

Other income decreased \$0.1 million, or 4.9%, to \$1.9 million for the year ended December 31, 2025 from \$2.0 million for the year ended December 31, 2024. The decrease in other income reflects lower mortgage banking income, which decreased \$0.1 million, or 12.0%, to \$0.4 million for the year ended December 31, 2025 from \$0.5 million for the year ended December 31, 2024. The decrease reflects lower loan volume associated with the interest rate environment experienced in 2025, as mortgage banking income is directly impacted by movement in interest rates as well as the housing market. Service charges and fees also decreased \$0.1 million, or 2.3%, to \$1.4 million for the year ended December 31, 2025 from \$1.5 million for the year ended December 31, 2024.

Non-Interest Expense

Other expense increased \$0.8 million, or 6.1%, to \$14.5 million for the year ended December 31, 2025 from \$13.7 million for the year ended December 31, 2024. Salaries and employee benefits increased \$0.9 million, reflecting merit-based raises as well as the addition of new staff. This increase was offset by lower professional expenses, which decreased \$0.1 million compared to the prior year.

Income Tax Expense

Income tax expense was \$2.2 million for the year ended December 31, 2025 as compared to \$2.0 million for the year ended December 31, 2024. Our effective tax rate was 21.62% and 22.79% for the years ended December 31, 2025 and 2024, respectively. The lower effective tax rate in 2025 is the result of our investments in federal and state income tax credits.

Selected Financial Data

The following table sets forth certain summary financial information concerning the Company and its wholly-owned subsidiary for the last five years. The information was derived from the audited consolidated financial statements. The information should be read in conjunction with this section of the report and the audited consolidated financial statements and notes.

	2025	2024	2023	2022	2021
For December 31:					
Net income	\$ 7,907,090	\$ 6,749,736	\$ 5,493,616	\$ 6,655,140	\$ 6,744,865
Selected year end balances:					
Total assets	575,079,299	557,160,417	633,815,719	653,345,609	679,220,646
Total loans ¹	362,689,776	369,101,317	349,120,944	331,848,376	309,406,617
Investment securities available for sale	143,870,559	157,470,622	241,216,453	271,172,226	212,347,489
Interest-bearing deposits at the					
Federal Reserve	41,072,011	4,804,819	7,250,912	12,999,135	128,971,429
Earning assets	547,632,346	531,376,758	597,588,309	616,019,737	650,725,535
Total deposits	498,694,732	489,912,358	525,702,538	598,670,258	609,191,576
Total shareholders' equity	60,139,289	52,301,012	47,080,862	38,811,387	53,917,633
Weighted Average Shares					
Outstanding - basic	5,435,236	5,454,342	5,528,596	5,550,078	5,531,518
Weighted Average Shares					
Outstanding - diluted	5,622,816	5,506,149	5,626,139	5,644,698	5,680,482
For the Year:					
Selected average balances:					
Total assets	\$ 573,897,509	\$ 590,707,455	\$ 639,728,141	\$ 656,833,125	\$ 589,379,985
Total loans ¹	362,077,527	358,649,574	339,912,450	320,826,946	324,078,445
Investment securities available for sale	145,111,336	191,312,503	257,007,704	266,432,504	167,250,568
Interest-bearing deposits at the					
Federal Reserve	40,569,448	12,333,148	12,021,914	41,131,016	75,734,060
Earning assets	547,758,311	562,295,225	608,942,068	628,390,466	567,063,073
Total deposits	501,342,910	511,959,761	552,955,814	596,881,098	519,900,412
Total shareholders' equity	57,166,583	49,802,167	42,597,908	43,602,112	54,838,166
Performance Ratios:					
Return on average equity	13.83%	13.55%	12.90%	15.26%	12.30%
Return on average assets	1.38%	1.14%	0.86%	1.01%	1.14%
Community Bank Leverage Ratio	11.46%	11.08%	9.73%	9.03%	8.66%
Net interest margin	4.25%	3.66%	3.04%	3.01%	3.06%
Net charge-offs (recoveries) to average loans	0.01%	0.03%	0.00%	0.00%	(0.02%)
Allowance for credit losses as a percentage of total loans ²	1.18%	1.01%	1.07%	1.30%	1.43%
Per Share:					
Basic income per common share	\$ 1.45	\$ 1.24	\$ 0.99	\$ 1.20	\$ 1.22
Diluted income per common share	\$ 1.41	\$ 1.23	\$ 0.98	\$ 1.18	\$ 1.19
Year end book value per common share	\$ 11.14	\$ 9.63	\$ 8.61	\$ 6.99	\$ 9.73
Dividends per common share	\$ 0.86	\$ 0.72	\$ 0.68	\$ 0.68	\$ 0.78
Dividend payout ratio	58.92%	58.13%	68.25%	56.73%	63.98%
Full time employee equivalents	85	82	78	79	79

(1) Including mortgage loans to be sold

(2) Excluding mortgage loans to be sold

Independent Auditor's Report

Board of Directors
Bank of South Carolina Corporation
Charleston, South Carolina

Opinion

We have audited the consolidated financial statements of Bank of South Carolina Corporation (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis of Financial Condition and Results of Operations but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
February 25, 2026

**BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	December 31, 2025	December 31, 2024
ASSETS		
Cash and due from banks	\$ 10,267,001	\$ 6,202,303
Interest-bearing deposits at the Federal Reserve	41,072,011	4,804,819
Investment securities available for sale (amortized cost of \$151,336,603 and \$171,273,925 in 2025 and 2024, respectively)	143,870,559	157,470,622
Mortgage loans to be sold	1,630,066	5,012,224
Loans	361,059,710	364,089,093
Less: Allowance for credit losses	(4,256,799)	(3,679,525)
Net loans	356,802,911	360,409,568
Premises, equipment and leasehold improvements, net	3,856,677	3,809,307
Right of use asset	11,450,384	12,139,178
Accrued interest receivable	1,982,823	2,012,059
Other assets	4,146,867	5,300,337
 Total assets	 \$ 575,079,299	 \$ 557,160,417
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 163,024,370	\$ 160,723,772
Interest bearing demand	145,392,732	123,526,039
Money market accounts	101,253,174	109,395,947
Time deposits \$250,000 and over	37,610,087	43,098,983
Other time deposits	10,278,557	9,623,113
Other savings deposits	41,135,812	43,544,504
Total deposits	498,694,732	489,912,358
 Accrued interest payable and other liabilities	 4,794,894	 2,807,869
Lease liability	11,450,384	12,139,178
Total liabilities	514,940,010	504,859,405
Commitments and contingencies in Note 11		
Shareholders' equity		
Common stock - no par, 12,000,000 shares authorized; Issued 5,857,705 and 5,852,325 shares at December 31, 2025, and December 31, 2024, respectively. Shares outstanding 5,399,732 and 5,432,762 at December 31, 2025 and December 31, 2024, respectively		
Additional paid in capital	48,100,977	47,970,140
Retained earnings	21,821,362	18,573,049
Treasury stock: 457,973 shares and 419,563 shares as of December 31, 2025, and 2024, respectively	(4,802,987)	(4,255,680)
Accumulated other comprehensive loss	(4,980,063)	(9,986,497)
Total shareholders' equity	60,139,289	52,301,012
 Total liabilities and shareholders' equity	 \$ 575,079,299	 \$ 557,160,417

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	2025	2024
Interest and fee income		
Loans, including fees	\$ 24,818,167	\$ 23,845,545
Taxable securities	1,456,262	2,075,308
Tax-exempt securities	352,632	384,301
Other	1,769,818	658,556
Total interest and fee income	28,396,879	26,963,710
Interest expense		
Deposits	5,140,448	5,725,438
Short-term borrowings	-	673,609
Total interest expense	5,140,448	6,399,047
Net interest income	23,256,431	20,564,663
Provision for credit losses – loans and unfunded commitments	510,088	75,000
Net interest income after provision for credit losses	22,746,343	20,489,663
Other income		
Service charges and fees	1,440,006	1,473,410
Mortgage banking income	397,005	451,254
Other non-interest income	32,114	40,020
Total other income	1,869,125	1,964,684
Other expense		
Salaries and employee benefits	8,906,211	7,984,410
Net occupancy expense	3,019,693	2,867,394
Data processing fees	795,342	818,701
Professional expenses	455,214	553,479
Other operating expenses	1,350,608	1,386,802
Loss on sales of securities, net	-	101,820
Total other expense	14,527,068	13,712,606
Income before income tax expense	10,088,400	8,741,741
Income tax expense	2,181,310	1,992,005
Net income	\$ 7,907,090	\$ 6,749,736
Weighted average shares outstanding		
Basic	5,435,236	5,454,342
Diluted	5,622,816	5,506,149
Basic income per common share	\$ 1.45	\$ 1.24
Diluted income per common share	\$ 1.41	\$ 1.23

See accompanying notes to consolidated financial statements.

**BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31,	
	2025	2024
Net income	\$ 7,907,090	\$ 6,749,736
Other comprehensive income		
Unrealized gain on securities arising during the period	6,337,259	3,666,458
Reclassification adjustment for securities loss realized in net income	-	101,820
Other comprehensive income before tax	6,337,259	3,768,278
Income tax effect related to items of other comprehensive income before tax	(1,330,825)	(791,337)
Other comprehensive income after tax	5,006,434	2,976,941
Total comprehensive income	\$ 12,913,524	\$ 9,726,677

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>Shares Outstanding</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
December 31, 2023	5,469,251	\$ 48,097,586	\$ 15,746,736	\$ (3,800,022)	\$ (12,963,438)	\$ 47,080,862
Net income	—	—	6,749,736	—	—	6,749,736
Other comprehensive income	—	—	—	—	2,976,941	2,976,941
Repurchase of common shares	(36,489)	—	—	(455,658)	—	(455,658)
Stock-based compensation (surrender)	—	(127,446)	—	—	—	(127,446)
Cash dividends (\$0.72 per common share)	—	—	(3,923,423)	—	—	(3,923,423)
December 31, 2024	<u>5,432,762</u>	<u>\$ 47,970,140</u>	<u>\$ 18,573,049</u>	<u>\$ (4,255,680)</u>	<u>\$ (9,986,497)</u>	<u>\$ 52,301,012</u>
Net income	—	—	7,907,090	—	—	7,907,090
Other comprehensive income	—	—	—	—	5,006,434	5,006,434
Stock options exercises, net of surrender	5,380	44,988	—	—	—	44,988
Repurchase of common shares	(38,410)	—	—	(547,307)	—	(547,307)
Stock-based compensation expense	—	85,849	—	—	—	85,849
Cash dividends (\$0.86 per common share)	—	—	(4,658,777)	—	—	(4,658,777)
December 31, 2025	<u>5,399,732</u>	<u>\$ 48,100,977</u>	<u>\$ 21,821,362</u>	<u>\$ (4,802,987)</u>	<u>\$ (4,980,063)</u>	<u>\$ 60,139,289</u>

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 7,907,090	\$ 6,749,736
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	562,278	641,291
Loss on sale of investment securities	—	101,820
Provision for credit losses -loans and unfunded commitments	510,088	75,000
Stock-based compensation expense (surrender)	85,849	(127,446)
Deferred income taxes	205,215	(45,781)
Origination of mortgage loans held for sale	(57,421,226)	(53,643,022)
Proceeds from sale of mortgage loans held for sale	61,200,389	51,212,951
Net gain on sale of mortgage loans held for sale	(397,005)	(451,254)
(Increase) decrease in accrued interest receivable and other assets	(353,333)	359,564
Increase in accrued interest payable and other liabilities	3,507,098	472,933
Net cash provided by operating activities	<u>15,806,443</u>	<u>5,345,792</u>
Cash flows from investing activities:		
Proceeds from calls and maturities of investment securities available for sale	29,786,000	73,762,000
Proceeds from sale of investment securities available for sale	—	13,407,805
Purchases of investments securities available for sale	(10,037,625)	—
Purchase of investment tax credit	(1,639,875)	—
Net decrease (increase) in loans	3,006,657	(17,216,736)
Purchase of premises, equipment, and leasehold improvements, net	(420,702)	(141,021)
Net cash provided by investing activities	<u>20,694,455</u>	<u>69,812,048</u>
Cash flows from financing activities:		
Net decrease in short-term borrowings	—	(46,000,000)
Net (increase) decrease in deposit accounts	8,782,374	(35,790,180)
Dividends paid	(4,449,063)	(3,820,940)
Stock options exercised	44,988	—
Repurchase of common shares	(547,307)	(455,658)
Net cash (provided by) used in financing activities	<u>3,830,992</u>	<u>(86,066,778)</u>
Net increase (decrease) in cash and cash equivalents	40,331,890	(10,908,938)
Cash and cash equivalents at the beginning of the period	11,007,122	21,916,060
Cash and cash equivalents at the end of the period	<u>\$ 51,339,012</u>	<u>\$ 11,007,122</u>
Cash paid during the period for:		
Interest	\$ 4,800,519	\$ 6,087,432
Income taxes	1,820,878	1,951,143
Supplemental disclosures for non-cash investing and financing activity:		
Change in unrealized gain on securities available for sale, net of income taxes	\$ 5,006,434	\$ 2,976,941
Change in dividends payable	209,714	102,483

See accompanying notes to consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

The Bank of South Carolina (the “Bank”) was organized on October 22, 1986 and opened for business as a state-chartered financial institution on February 26, 1987, in Charleston, South Carolina. The Bank was reorganized into a wholly-owned subsidiary of Bank of South Carolina Corporation (the “Company”), effective April 17, 1995. At the time of the reorganization, each outstanding share of the Bank was exchanged for two shares of Bank of South Carolina Corporation Stock.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting and reporting policies conform, in all material respects, to U.S. generally accepted accounting principles (“GAAP”), and to general practices within the banking industry. The following summarizes the more significant of these policies and practices.

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. In consolidation, all significant intercompany balances and transactions have been eliminated.

References to “we,” “us,” “our,” “the Bank,” or “the Company” refer to the parent and its subsidiary that are consolidated for financial reporting purposes.

Accounting Estimates and Assumptions:

The financial statements are prepared in conformity with GAAP, which require management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ significantly from these estimates and assumptions. Material estimates generally susceptible to significant change are related to the determination of the allowance for credit losses, individually assessed loans, other real estate owned, deferred tax assets and the fair value of financial instruments.

Subsequent Events:

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed as of the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist as of the date of the balance sheet but arose after that date. We have reviewed events occurring through February 25, 2026 (the date the financial statements were available to be issued) and no subsequent events occurred requiring accrual or disclosure.

Cash and Cash Equivalents:

Cash and cash equivalents include working cash funds, due from banks, interest-bearing deposits at the Federal Reserve, items in process of collection and federal funds sold. All cash equivalents are readily convertible to cash and have maturities of less than 90 days.

Depository institutions are required to maintain reserve and clearing balances at the Federal Reserve Bank. Vault cash satisfied our daily reserve requirement as of December 31, 2025 and 2024.

Interest-bearing Deposits at the Federal Reserve:

Interest-bearing deposits at the Federal Reserve mature daily and are carried at cost.

Investment Securities:

We classify investments into three categories: (1) Held to Maturity - debt securities that we have the positive intent and ability to hold to maturity, which are reported at amortized cost, adjusted for the amortization of any related premiums or the accretion of any related discounts into interest income using a methodology which approximates a level yield of interest over the estimated remaining period until maturity; (2) Trading - debt securities that are bought and held principally for the purpose of selling them in the near term, which are reported at fair value, with unrealized gains and losses included in earnings; and (3) Available for Sale - debt securities that may be sold under certain conditions, which are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of shareholders’ equity, net of income taxes. Unrealized losses on securities due to credit loss factors are recognized when it is determined that present value of cash flows expected to be collected is than the amortized cost basis of the securities.

Realized gains or losses on the sale of investments are recognized on a specific identification, trade date basis. All securities were classified as available for sale for 2025 and 2024.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Allowance for Credit Losses - Securities Available for Sale:

For available for sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income with the establishment of an allowance under the Current Expected Credit Loss model ("CECL"). For debt securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether any decline in fair value is due to credit loss factors. In making this assessment, management considers any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses under CECL are recorded as provision for or (reversal of) credit loss expense. Losses are charged against the allowance when management believes the collectability of an available for sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2025 and 2024, there was no allowance for credit losses related to the available for sale portfolio.

Accrued interest receivable on available for sale debt securities totaled \$0.6 million at December 31, 2025 and 2024 and was excluded from the estimate of credit losses.

Mortgage Loans to be Sold:

We originate fixed and variable rate residential mortgage loans on a service release basis in the secondary market. Loans closed but not yet settled with an investor are carried in our loans to be sold portfolio. Virtually all of these loans have commitments to be purchased by investors, and the majority of these loans were locked in by price with the investors on the same day or shortly thereafter that the loan was locked in with our customers. Therefore, these loans present very little market risk. We usually deliver to, and receive funding from, the investor within 30 to 60 days. Commitments to sell these loans to the investor are considered derivative contracts and are sold to investors on a "best efforts" basis. We are not obligated to deliver a loan or pay a penalty if a loan is not delivered to the investor. Because of the short-term nature of these derivative contracts, the fair value of the mortgage loans to be sold in most cases is materially the same as the value of the loan amount at its origination.

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are provided for in a valuation allowance by charges to operations as a component of mortgage banking income. Gains or losses on sales of loans are recognized when control over these assets is surrendered and is included in mortgage banking income in the consolidated statements of income.

Loans and Allowance for Credit Losses:

Under the current expected credit loss model, the allowance for credit losses on loans is a valuation allowance estimated at each balance sheet date in accordance with GAAP that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans.

Management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected economic conditions, asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay a loan, the estimated value of any underlying collateral, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. Management believes the level of the allowance for credit losses is adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through a provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off, or reversal of, when appropriate.

The allowance for credit losses is measured on a collective basis for pools of loans with similar risk characteristics. The Company uses the Loss Rate Approach to estimate the current expected credit losses. The Bank calculates the annual loss rate by dividing the annual net charge-offs by the average balance of loans. The Bank used the simple average of the prior year and current year balance to get the average balance by segment which is adjusted by the estimated prepayment rate to get the lifetime historical loss rate. This loss rate is further adjusted by qualitative and forecast adjustments to get the estimated lifetime loss rate.

The forecast adjustments (House Price Index, Vacancy Rate, and Unemployment Rate) are discussed by the Management Asset/Liability Committee (ALCO) on a periodic basis. Upon ALCO's recommendation, the calculation can be adjusted accordingly to reflect the current market and economic conditions.

The Company uses loan purpose codes to segment loans based on similar purpose and risk characteristics. The Bank manages these loans on a collective basis. This segmentation is used for call report purposes, and the Bank believes it is appropriate for the CECL calculations. Due to the size of the Bank's loan portfolio, management determined that further segmentation would be too granular and segments would be statistically insignificant.

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated loan pools. Individual loan evaluations are generally performed for individually assessed loans, which includes nonaccrual loans. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. The Company has elected the practical

BANK OF SOUTH CAROLINA CORPORATION
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Loans and Allowance for Credit Losses (Continued):

expedient to estimate expected credit losses based on the fair value of collateral, which considers selling costs in the event of the sale of the collateral.

While the Company's policies and procedures used to estimate the allowance for credit losses, as well as the resultant provision for credit losses charged to income, are considered adequate by management and are reviewed periodically by regulators, model validators and internal audit, they are necessarily approximate and imprecise. There are factors beyond the Company's control, such as changes in projected economic conditions, real estate markets or particular industry conditions which may materially impact asset quality and the adequacy of the allowance for credit losses and thus the resulting provision for credit losses.

Allowance for Credit Losses - Accrued Interest Receivable

Accrued interest receivable related to loans totaled \$1.4 million and \$1.5 million at December 31, 2025 and 2024 and was reported in accrued interest receivable on the consolidated balance sheets. The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectable interest.

Allowance for Credit Losses - Unfunded Commitments

The Company estimates expected credit losses on commitments to extend credit over the contractual period in which the Company is exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancelable by the Company. The allowance for credit losses – unfunded commitments, which is reflected within accrued interest payable and other liabilities on the consolidated balance sheet, is adjusted through a provision for (reversal of) credit losses - unfunded commitments. The estimate includes consideration of the likelihood of funding and a credit loss will occur. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Concentration of Credit Risk:

Our primary market consists of the counties of Berkeley, Charleston and Dorchester, South Carolina. As of December 31, 2025 and 2024, the majority of the total loan portfolio was to borrowers within this region. No other areas of significant concentration of credit risk have been identified.

Premises, Equipment and Leasehold Improvements and Depreciation:

Land is carried at cost. Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is recorded using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes over the estimated useful lives of the assets ranging from 40 years for buildings and 3 to 15 years for equipment. Leasehold improvements are amortized over the shorter of the asset's useful life or the remaining lease term, including renewal periods when reasonably assured. The cost of maintenance and repairs is charged to operating expense as incurred.

Leases:

The Company determines if a contractual arrangement is a lease at inception. Right of use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Currently, the Company does not have any finance leases.

Operating lease ROU assets and lease liabilities are recognized at the commencement of the lease based on the present value of lease payments over the lease term. The lease payments included in the present value are fixed payments and index-based variable lease payments. The Company estimates the incremental borrowing rate, based on information available at the commencement of the lease, as most of the Company's leases do not include an implicit rate.

Revenue Recognition:

Revenues are recognized when control of promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services that are promised within each contract and identifies those that contain performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenue Recognition (Continued):

Service Fees on Deposit Accounts

The Bank earns fees from its deposit customers for account maintenance, transaction-based and overdraft services. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees on deposits accounts are charged to deposit customers for specific services provided to the customer, such as non-sufficient funds fees, overdraft fees, and wire fees. The performance obligation is completed as the transaction occurs and the fees are recognized at the time each specific service is provided to the customer.

ATM and Check Card Fee Income

Check card fee income represents fees earned when a debit card issued by the Bank is used. The Bank earns interchange fees from debit cardholder transactions through the Mastercard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. The performance obligation is satisfied and the fees are earned when the cost of the transaction is charged to the card. Certain expenses directly associated with the debit card are recorded on a net basis with the fee income.

Income Taxes:

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Net deferred tax assets are included in other assets in the consolidated balance sheet.

Accounting standards require the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. These standards also prescribe a recognition threshold and measurement of a tax position taken or expected to be taken in an enterprise's tax return. We believe that we had no uncertain tax positions for the years ended December 31, 2025 and 2024.

The income tax effects of unrealized gains and losses on investment securities available for sale are released from accumulated other comprehensive income at the time such securities are sold or impaired.

The Company has elected to invest in federal Investment Tax Credits (ITCs) and Low-Income Housing Tax Credits (LIHTCs) as part of its overall tax planning and community development strategy to enhance after-tax earnings and capital efficiency. These investments provide returns primarily through the recognition of tax credits and related tax benefits, with LIHTC investments amortized over the credit delivery period in proportion to the associated tax benefits received. Management evaluates these investments based on projected yields, credit quality, compliance and recapture risk, counterparty and sponsor strength, and regulatory capital treatment, and believes the investments are consistent with the Bank's risk profile, risk appetite, and long-term financial objectives.

Stock-Based Compensation:

Compensation cost is recognized for stock options issued to employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options. Compensation cost is recognized over the expected term of the stock options and is adjusted for forfeitures as they occur.

Income Per Common Share:

Basic income per share is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares and potential common shares outstanding. Potential common shares consist of dilutive stock options determined using the treasury stock method and the average market price of common stock. Earnings per share are restated for all stock splits and stock dividends, if any, through the date of issuance of the consolidated financial statements.

Segment Information:

The Company has determined that all of its banking divisions and subsidiaries meet the aggregation criteria of ASC 280, Segment Reporting, as its current operating model is structured whereby banking divisions and subsidiaries serve a similar base of primarily commercial clients utilizing a company-wide offering of similar products and services managed through similar processes and platforms that are collectively reviewed by the Company's Chief Executive Officer, who has been identified as the chief operating decision maker ("CODM").

The CODM regularly assesses performance of the aggregated single operating and reporting segment and decides how to allocate resources based on net income calculated on the same basis as net income reported in the Company's consolidated statements of income and other comprehensive income. The CODM is also regularly provided with expense information at a level consistent with that disclosed in the Company's consolidated statements of income and other comprehensive income.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interest Rate Lock Commitments and Forward Sale Contracts:

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free-standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitments before the loan is funded. In order to hedge the change in interest rates resulting from commitments to fund the loans, we enter into forward commitments for the future delivery of mortgage loans when the interest rate is locked. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in income when they occur. As a result of the short-term nature of mortgage loans held for sale (derivative contract), our derivative instruments were considered to be immaterial as of December 31, 2025 and 2024. We had no embedded derivative instruments requiring hedge accounting treatment at December 31, 2025 and 2024, and we do not currently engage in hedging activities.

Recent Accounting Pronouncements:

The following is a summary of recent authoritative pronouncements that could or have impacted the accounting, reporting and/or disclosure of financial information by the Company.

In November 2024, the Financial Accounting Standards Board (“FASB”) issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*, which requires enhanced disclosures in the notes to the financial statements about the nature of certain income statement expenses. The amendments require entities to disaggregate specific expense categories, such as employee compensation, depreciation, amortization, and other significant expenses, while not changing existing income statement presentation or recognition and measurement guidance. For entities other than public business entities, the guidance is effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within fiscal years beginning after December 15, 2028. Early adoption is permitted. Management is currently evaluating the impact of this guidance on the Bank’s financial statement disclosures.

In January 2025, the Financial Accounting Standards Board (“FASB”) issued ASU 2025-01, *Income Statement—Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures—Clarifying the Effective Date*, which clarifies the effective date of previously issued guidance related to enhanced disclosures of certain income statement expense categories. The amendments do not change existing recognition or measurement guidance and primarily affect note disclosures. The guidance is effective for entities other than public business entities for annual reporting periods beginning after December 15, 2027, and interim periods within fiscal years beginning after December 15, 2028. Early adoption is permitted. Management is currently evaluating the impact of the amendments on the Bank’s financial statement disclosures.

In May 2025, the FASB issued ASU 2025-04, *Revenue from Contracts with Customers (Topic 606) and Compensation—Stock Compensation (Topic 718): Clarifications to Share-Based Consideration Payable to a Customer*. The amendments clarify the accounting for share-based payment awards issued as consideration to customers, including revisions to the definition of a performance condition and removal of the forfeiture policy election for such awards. The guidance also clarifies that the variable consideration constraint does not apply to share-based consideration payable to a customer. The amendments are effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Early adoption is permitted. Management does not expect the adoption of this guidance to have a material impact on the Bank’s consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies the scope and application of interim reporting requirements and consolidates existing interim disclosure guidance within Topic 270. The amendments introduce a disclosure principle requiring entities to disclose material events and changes since the end of the most recent annual reporting period and provide guidance on the form and content of interim financial statements. For entities other than public business entities, the amendments are effective for interim reporting periods within annual reporting periods beginning after December 15, 2028. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Bank’s consolidated financial statements.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. INVESTMENT SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of securities available for sale with gross unrealized gains and losses recognized in accumulated other comprehensive loss, are summarized as follows.

	December 31, 2025			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. Treasury Notes	\$ 64,996,061	\$ —	\$ (813,621)	\$ 64,182,440
Government-Sponsored Enterprises	55,444,769	—	(4,382,932)	51,061,837
Municipal Securities	30,895,773	2,821	(2,272,312)	28,626,282
Total	<u>\$ 151,336,603</u>	<u>\$ 2,821</u>	<u>\$ (7,468,865)</u>	<u>\$ 143,870,559</u>

	December 31, 2024			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
U.S. Treasury Notes	\$ 79,925,787	\$ —	\$ (3,153,376)	\$ 76,772,411
Government-Sponsored Enterprises	60,660,970	—	(7,553,043)	53,107,927
Municipal Securities	30,687,168	5	(3,096,889)	27,590,284
Total	<u>\$ 171,273,925</u>	<u>\$ 5</u>	<u>\$ (13,803,308)</u>	<u>\$ 157,470,622</u>

The amortized cost and estimated fair value of investment securities available for sale at December 31, 2025 and 2024 by contractual maturity, are in the following table.

	December 31, 2025		December 31, 2024	
	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Due in one year or less	\$ 55,184,634	\$ 54,791,908	\$ 29,759,018	\$ 29,370,312
Due in one year to five years	72,284,383	68,223,415	101,524,144	95,100,732
Due in five years to ten years	17,852,253	15,692,515	35,546,000	29,598,713
Due in ten years and over	6,014,333	5,162,721	4,444,763	3,400,865
Total	<u>\$ 151,336,603</u>	<u>\$ 143,870,559</u>	<u>\$ 171,273,925</u>	<u>\$ 157,470,622</u>

Securities pledged to secure deposits at December 31, 2025 and 2024, had a carrying amount of \$40,315,637 and \$36,932,928, respectively.

The tables below summarize gross unrealized losses on investment securities and the fair market value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2025 and 2024. Unrealized losses have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), we do not intend to sell prior to their anticipated recovery and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue to make timely principal and interest payments on the securities. The fair value is expected to recover as the securities near maturity. At December 31, 2025 and 2024, there was no allowance for credit losses – securities available for sale.

	December 31, 2025								
	<u>Less Than 12 Months</u>			<u>12 Months or Longer</u>			<u>Total</u>		
	<u>#</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>	<u>#</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>	<u>#</u>	<u>Fair Value</u>	<u>Gross Unrealized Loss</u>
U.S. Treasury Notes	1	\$ 4,991,211	\$ (772)	10	\$ 59,191,229	\$ (812,849)	11	\$ 64,182,440	\$ (813,621)
Government-Sponsored Enterprises	—	—	—	8	51,061,837	(4,382,932)	8	51,061,837	(4,382,932)
Municipal Securities	1	2,321,450	(178,550)	50	23,755,011	(2,093,762)	51	26,076,461	(2,272,312)
Total	<u>2</u>	<u>\$ 7,312,661</u>	<u>\$ (179,322)</u>	<u>68</u>	<u>\$ 134,008,077</u>	<u>\$ (7,289,544)</u>	<u>70</u>	<u>\$ 141,320,738</u>	<u>\$ (7,468,865)</u>

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2024								
	Less Than 12 Months			12 Months or Longer			Total		
	#	Fair Value	Gross Unrealized Loss	#	Fair Value	Gross Unrealized Loss	#	Fair Value	Gross Unrealized Loss
U.S. Treasury Notes	—	\$ —	\$ —	12	\$ 76,772,411	\$ (3,153,376)	12	\$ 76,772,411	\$ (3,153,376)
Government-Sponsored Enterprises	—	—	—	9	53,107,927	(7,553,043)	9	53,107,927	(7,553,043)
Municipal Securities	—	—	—	59	27,535,279	(3,096,889)	59	27,535,279	(3,096,889)
Total	—	\$ —	\$ —	80	\$ 157,415,617	\$ (13,803,308)	80	\$ 157,415,617	\$ (13,803,308)

There were no sales of available for sale securities for the year ended December 31, 2025. Gross proceeds of \$13,407,805 with gross realized gains of \$1,337 and gross losses of \$103,157 were recognized for the year ended December 31, 2024.

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

Major classifications of loans (net of deferred loan fees and costs of \$373,556 at December 31, 2025, and \$319,979 at December 31, 2024) are shown in the table below.

	December 31, 2025	December 31, 2024
Commercial	\$ 54,397,284	\$ 55,737,073
Commercial Real Estate:		
Construction	26,071,943	21,585,210
Other	168,072,833	173,257,821
Consumer:		
Real Estate	109,439,799	109,711,491
Other	3,077,851	3,797,498
Allowance for credit losses	361,059,710	364,089,093
Loans, net	\$ 356,802,911	\$ 360,409,568

We had \$67.5 million and \$84.4 million of loans pledged as collateral to secure funding with the Federal Reserve Bank (“FRB”) Discount Window at December 31, 2025 and 2024, respectively.

Our portfolio grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled. Our internal credit risk grading system is based on experience with similarly graded loans, industry best practices, and regulatory guidance. Our portfolio is graded in its entirety.

Our internally assigned grades pursuant to the Board-approved lending policy are as follows:

- **Excellent** (1) The borrowing entity has more than adequate cash flow, unquestionable strength, strong earnings and capital, and where applicable, no overdrafts.
- **Good** (2) The borrowing entity has dependable cash flow, better than average financial condition, good capital and usually no overdrafts.
- **Satisfactory** (3) The borrowing entity has adequate cash flow, satisfactory financial condition, and explainable overdrafts (if any).
- **Watch** (4) The borrowing entity has generally adequate, yet inconsistent cash flow, cyclical earnings, weak capital, loan to/from stockholders, and infrequent overdrafts. The borrower has consistent yet sometimes unpredictable sales and growth.
- **OAEM** (5) The borrowing entity has marginal cash flow, occasional past dues, and frequent and unexpected working capital needs.
- **Substandard** (6) The borrowing entity has cash flow barely sufficient to service debt, deteriorated financial condition, and bankruptcy is a possibility. The borrowing entity has declining sales, rising costs, and may need to look for secondary source of repayment.
- **Doubtful** (7) The borrowing entity has negative cash flow. Survival of the business is at risk, full repayment is unlikely, and there are frequent and unexplained overdrafts. The borrowing entity shows declining trends and no operating profits.
- **Loss** (8) The borrowing entity has negative cash flow with no alternatives. Survival of the business is unlikely.

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table illustrates credit quality by class indicators by year of origination at December 31, 2025. "Pass" includes loans internally graded as excellent, good and satisfactory.

	Term Loans by Year of Origination							Total
	2025	2024	2023	2022	2021	Prior	Revolving	
Commercial								
Pass	\$ 21,640,080	\$ 5,441,593	\$ 6,038,861	\$ 2,848,133	\$ 707,129	\$ 206,251	\$ 14,862,602	\$ 51,744,649
Watch	886,488	7,881	—	—	—	—	394,333	1,288,702
OAEM	88,557	194,413	—	—	—	—	200,000	482,970
Substandard	259,323	621,640	—	—	—	—	—	880,963
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 22,874,448	\$ 6,265,527	\$ 6,038,861	\$ 2,848,133	\$ 707,129	\$ 206,251	\$ 15,456,935	\$ 54,397,284
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial Real Estate Construction								
Pass	\$ 13,069,633	\$ 3,525,000	\$ 1,337,896	\$ 7,274,223	\$ 865,191	\$ —	\$ —	\$ 26,071,943
Watch	—	—	—	—	—	—	—	—
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 13,069,633	\$ 3,525,000	\$ 1,337,896	\$ 7,274,223	\$ 865,191	\$ —	\$ —	\$ 26,071,943
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial Real Estate Other								
Pass	\$ 52,338,825	\$ 24,202,254	\$ 14,899,920	\$ 24,909,480	\$ 31,774,262	\$ 3,649,878	\$ 13,640,578	\$ 165,415,197
Watch	1,200,709	789,669	164,243	—	176,658	—	—	2,331,279
OAEM	—	—	—	—	—	326,357	—	326,357
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 53,539,534	\$ 24,991,923	\$ 15,064,163	\$ 24,909,480	\$ 31,950,920	\$ 3,976,235	\$ 13,640,578	\$ 168,072,833
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer Real Estate								
Pass	\$ 16,032,009	\$ 2,706,898	\$ 4,133,175	\$ 18,505,853	\$ 7,477,492	\$ 5,932,338	\$ 52,888,951	\$ 107,676,716
Watch	197,541	—	—	—	—	—	1,248,479	1,446,020
OAEM	—	—	—	—	—	29,365	40,000	69,365
Substandard	—	—	—	—	—	—	247,699	247,699
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 16,229,550	\$ 2,706,898	\$ 4,133,175	\$ 18,505,853	\$ 7,477,492	\$ 5,961,703	\$ 54,425,129	\$ 109,439,799
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer Other								
Pass	\$ 1,462,246	\$ 604,359	\$ 263,046	\$ 274,333	\$ 64,535	\$ —	\$ 328,642	\$ 2,997,161
Watch	63,308	—	—	—	2,580	—	—	65,888
OAEM	—	—	14,803	—	—	—	—	14,803
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 1,808,232	\$ 604,359	\$ 277,849	\$ 274,333	\$ 67,115	\$ —	\$ 328,642	\$ 3,077,851
Current period gross charge-offs	\$ —	\$ —	\$ 25,255	\$ —	\$ —	\$ —	\$ —	\$ 25,255

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The following table illustrates credit quality by class indicators by year of origination at December 31, 2024. "Pass" includes loans internally graded as excellent, good and satisfactory.

	Term Loans by Year of Origination							Total
	2024	2023	2022	2021	2020	Prior	Revolving	
Commercial								
Pass	\$ 20,410,875	\$ 9,961,098	\$ 5,947,781	\$ 1,390,446	\$ 2,571,244	\$ 96,202	\$ 13,671,807	\$ 54,049,453
Watch	269,933	83,556	43,052	—	3,732	—	390,333	790,606
OAEM	217,500	—	—	—	—	—	—	217,500
Substandard	—	679,514	—	—	—	—	—	679,514
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 20,898,308	\$ 10,724,168	\$ 5,990,833	\$ 1,390,446	\$ 2,574,976	\$ 96,202	\$ 14,062,140	\$ 55,737,073
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 121,421	\$ —	\$ 121,421
Commercial Real Estate Construction								
Pass	\$ 10,009,391	\$ —	\$ 7,561,174	\$ 3,186,313	\$ 828,332	\$ —	\$ —	\$ 21,585,210
Watch	—	—	—	—	—	—	—	—
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 10,009,391	\$ —	\$ 7,561,174	\$ 3,186,313	\$ 828,332	\$ —	\$ —	\$ 21,585,210
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial Real Estate Other								
Pass	\$ 42,233,208	\$ 21,475,893	\$ 32,090,364	\$ 36,865,929	\$ 18,050,910	\$ 3,752,169	\$ 9,682,603	\$ 164,151,076
Watch	1,729,373	1,829,987	406,736	3,786,488	1,005,065	—	—	8,757,649
OAEM	—	6,975	—	—	—	—	—	6,975
Substandard	—	—	—	342,121	—	—	—	342,121
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 43,962,581	\$ 23,312,855	\$ 32,497,100	\$ 40,994,538	\$ 19,055,975	\$ 3,752,169	\$ 9,682,603	\$ 173,257,821
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer Real Estate								
Pass	\$ 22,597,049	\$ 4,384,807	\$ 21,004,599	\$ 7,665,343	\$ 7,573,064	\$ 362,306	\$ 44,739,944	\$ 108,327,112
Watch	—	—	—	—	—	—	1,136,017	1,136,017
OAEM	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	248,362	248,362
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 22,597,049	\$ 4,384,807	\$ 21,004,599	\$ 7,665,343	\$ 7,573,064	\$ 362,306	\$ 46,124,323	\$ 109,711,491
Current period gross charge-offs	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Consumer Other								
Pass	\$ 1,745,430	\$ 721,062	\$ 466,686	\$ 161,181	\$ 24,334	\$ —	\$ 554,061	\$ 3,672,754
Watch	51,293	18,348	—	9,409	—	—	—	79,050
OAEM	11,509	—	—	—	—	—	—	11,509
Substandard	—	34,185	—	—	—	—	—	34,185
Doubtful	—	—	—	—	—	—	—	—
Loss	—	—	—	—	—	—	—	—
Total	\$ 1,808,232	\$ 773,595	\$ 466,686	\$ 170,590	\$ 24,334	\$ —	\$ 554,061	\$ 3,797,498
Current period gross charge-offs	\$ —	\$ —	\$ 2,077	\$ —	\$ —	\$ —	\$ —	\$ 2,077

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The following tables include an aging analysis of the recorded investment in loans segregated by class.

December 31, 2025

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days</u>	<u>Nonaccrual</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>
Commercial	\$ —	\$ 14,297	\$ —	\$ 405,819	\$ 420,116	\$ 53,977,168	\$ 54,397,284
Commercial Real Estate Construction	—	—	—	—	—	26,071,943	26,071,943
Commercial Real Estate Other	789,669	—	—	326,358	1,116,027	166,956,806	168,072,833
Consumer Real Estate	1,149,259	—	—	29,365	1,178,624	108,261,175	109,439,799
Consumer Other	—	46,905	—	14,803	61,708	3,016,143	3,077,851
Total	\$ <u>1,938,927</u>	\$ <u>61,202</u>	\$ <u>—</u>	\$ <u>776,345</u>	\$ <u>2,776,474</u>	\$ <u>358,272,931</u>	\$ <u>361,059,710</u>

December 31, 2024

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater than 90 Days</u>	<u>Nonaccrual</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>
Commercial	\$ —	\$ 4,984	\$ —	\$ —	\$ 4,984	\$ 55,732,089	\$ 55,737,073
Commercial Real Estate Construction	—	—	—	—	—	21,585,210	21,585,210
Commercial Real Estate Other	332,238	49,819	103,346	349,096	834,499	172,423,322	173,257,821
Consumer Real Estate	—	—	—	—	—	109,711,491	109,711,491
Consumer Other	57,104	31,201	—	—	88,305	3,709,193	3,797,498
Total	\$ <u>389,342</u>	\$ <u>86,004</u>	\$ <u>103,346</u>	\$ <u>349,096</u>	\$ <u>927,788</u>	\$ <u>363,161,305</u>	\$ <u>364,089,093</u>

There were no loans past due 90 days and still accruing as of December 31, 2025 and 2024. Interest income on nonaccrual loans that was recognized as of December 31, 2025 and 2024 was \$66,772 and \$1,505, respectively. Accrued interest of \$2,168 in consumer other was reversed from interest income for the year ended December 31, 2025. Accrued interest of \$14,976 in commercial was reversed from interest income for the year ended December 31, 2024.

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The following table summarizes the balances of non-accrual loans for December 31, 2025 and December 31, 2024.

	December 31, 2025		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial	\$ 405,819	\$ —	\$ 405,819
Commercial Real Estate Construction	—	—	—
Commercial Real Estate Other	326,358	—	326,358
Consumer Real Estate	29,365	—	29,365
Consumer Other	—	14,803	14,803
Total	\$ 761,542	\$ 14,803	\$ 776,345

	December 31, 2024		
	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
Commercial Real Estate Construction	—	—	—
Commercial Real Estate Other	349,096	—	349,096
Consumer Real Estate	—	—	—
Consumer Other	—	—	—
Total	\$ 349,096	\$ —	\$ 349,096

We designate individually evaluated loans on nonaccrual status as collateral dependent loans, as well as other loans that management designates as having higher risk. Collateral dependent loans are loans for which repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral dependent loans, we adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table details the amortized cost of collateral dependent loans:

	December 31, 2025		December 31, 2024	
Commercial	\$	146,497	\$	—
Commercial Real Estate Construction		—		—
Commercial Real Estate Other		326,358		349,096
Consumer Real Estate		317,065		248,362
Consumer Other		14,803		—
Total	\$	804,723	\$	597,458

The following table sets forth the changes in the allowance for credit losses and an allocation of the allowance for credit losses by class for the year ended December 31, 2025.

	Commercial	Commercial Real Estate Construction	Commercial Real Estate Other	Consumer Real Estate	Consumer Other	Total
Allowance for Credit Losses:						
Beginning balance	\$ 611,393	\$ 396,716	\$ 1,086,846	\$ 1,565,501	\$ 19,069	\$ 3,679,525
Charge-offs	—	—	—	—	(25,255)	(25,255)
Recoveries	800	—	1,729	—	—	2,529
Provisions	(59,134)	(66,414)	1,036,846	(360,217)	48,919	600,000
Ending balance	\$ 553,059	\$ 330,302	\$ 2,125,421	\$ 1,205,284	\$ 42,733	\$ 4,256,799

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The following table sets forth the changes in the allowance for credit losses and an allocation of the allowance for credit losses by class for the year ended December 31, 2024.

	<u>Commercial</u>	<u>Commercial Real Estate Construction</u>	<u>Commercial Real Estate Other</u>	<u>Consumer Real Estate</u>	<u>Consumer Other</u>	<u>Total</u>
Allowance for Credit Losses:						
Beginning balance	\$ 616,013	\$ 403,165	\$ 1,097,507	\$ 1,561,456	\$ 44,072	\$ 3,722,213
Charge-offs	(121,421)	—	—	—	—	(121,421)
Recoveries	3,733	—	—	—	—	3,733
Provisions	113,068	(6,449)	(10,661)	4,045	(25,003)	75,000
Ending balance	<u>\$ 611,393</u>	<u>\$ 396,716</u>	<u>\$ 1,086,846</u>	<u>\$ 1,565,501</u>	<u>\$ 19,069</u>	<u>\$ 3,679,525</u>

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. We use the loss rate approach to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, we modify loans by providing principal forgiveness on certain real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, we will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted.

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

- Commercial are primarily secured by business equipment, furniture and fixtures, inventory and receivables
- Commercial real estate construction are typically secured by commercial and residential lots.
- Commercial real estate other can be secured by either owner occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate
- Consumer real estate are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Consumer other are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following tables show the amortized cost basis as of December 31, 2025 and 2024, of the loans modified for borrowers experiencing financial difficulty, disaggregated by class of loans, and describes the financial effect of the modifications made for borrowers experiencing financial difficulty:

	<u>December 31, 2025</u>		
	<u>Amortized Cost Basis</u>	<u>% of Total Loan Type</u>	<u>Financial Effect</u>
Commercial	\$ 336,474	0.6%	Reduced monthly payment for one loan.
Consumer Real Estate	40,000	0.0%	Reduced monthly payment for one loan.
Total	<u>\$ 376,474</u>		

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December 31, 2024

	<u>Amortized Cost Basis</u>	<u>% of Total Loan Type</u>	<u>Financial Effect</u>
Commercial Real Estate Other	\$ 293,482	0.2%	Forbearance agreement signed for one loan; eleven-month deferral added to end of original term for one loan.
Consumer Other	34,185	1.0%	Reduced monthly payment for one loan.
Total	<u>\$ 327,667</u>		

No loan modifications made to a borrower with financial difficulty subsequently defaulted during the years ended December 31, 2025 and 2024 and were current and paying according to terms at December 31, 2025 and 2024. There were no commitments to lend additional funds to such borrowers for the years ended December 31, 2025 and 2024.

We maintain an allowance for credit loss – unfunded commitments for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., commitment cannot be canceled at any time). The allowance for credit loss – unfunded commitments is adjusted as a (reversal of) provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit loss – unfunded commitments of \$450,000 and \$539,912 at December 31, 2025 and December 31, 2024, respectively, is classified on the consolidated balance sheets within accrued interest payable and other liabilities. During the year ended December 31, 2025 there was a reversal of credit losses of \$89,912 for the allowance for credit loss – unfunded commitments. There was no provision for the allowance for credit loss – unfunded commitments at December 31, 2024.

5. CONCENTRATIONS OF CREDIT RISK

We grant short to intermediate term commercial and consumer loans to customers throughout our primary market area of Charleston, Berkeley and Dorchester counties of South Carolina. Although we have a diversified loan portfolio, a substantial portion of our debtors' ability to honor their contracts is dependent upon the stability of the economic environment in their primary market. The majority of the loan portfolio is located in our immediate market area with a concentration in real estate related activities.

Our loans were concentrated in the following categories.

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Commercial	15.07%	15.31%
Commercial Real Estate Construction	7.22%	5.93%
Commercial Real Estate Other	46.55%	48.68%
Consumer Real Estate	30.31%	29.04%
Consumer Other	0.85%	1.04%
Total	<u>100.00%</u>	<u>100.00%</u>

6. PREMISES, EQUIPMENT AND LEASED HOLD IMPROVEMENTS

Premises, equipment and leasehold improvements are summarized in the table below.

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Bank buildings	\$ 1,861,237	\$ 1,861,237
Land	838,075	838,075
Leasehold purchases	30,000	30,000
Leasehold improvements	3,451,571	3,373,720
Construction in progress	209,107	—
Equipment	4,808,303	4,674,561
	11,198,293	10,777,593
Accumulated depreciation	(7,341,616)	(6,968,286)
Total	<u>\$ 3,856,677</u>	<u>\$ 3,809,307</u>

Depreciation on our bank premises and equipment charged to operating expense totaled \$373,331 and \$416,417 during the years ended December 31, 2025, and 2024, respectively.

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7. LEASES

As of December 31, 2025, and 2024, the Company had operating ROU assets of \$11.5 million and \$12.1 million, respectively, and operating lease liabilities of \$11.5 million and \$12.1 million, respectively. The Company maintains operating leases on land, branch facilities, and parking. Operating leases generally contain initial fixed payment terms that adjust in future years based on the consumer price index or similar measure. Most of the leases include one or more options to renew, with renewal terms extending up to 20 years. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are recognized in lease expense.

As of December 31, 2025, the weighted average remaining lease term is 12.49 years and the weighted average incremental borrowing rate is 5.50%.

The exercise of renewal options is based on the sole judgement of management and what they consider to be reasonably certain. Based on the market areas, past practices, and contract terms of all leases, the Bank assumed all renewal options will be exercised. Minimum rental commitments for these leases as of December 31, 2025 are presented in the table below.

2026	\$	1,182,745
2027		1,182,745
2028		1,182,745
2029		1,182,745
2030		1,182,745
2031 and thereafter		14,674,742
Total undiscounted lease payments	\$	20,588,470
Less: effect of discounting		(9,138,086)
Present value of estimated lease payments	\$	11,450,384

The table below shows lease expense components for the years ended December 31, 2025 and 2024.

Lease Expense Components:	December 31,	
	2025	2024
Operating lease expense	\$ 1,421,250	\$ 1,341,184
Short-term lease expense	—	—
Total lease expense	\$ 1,421,250	\$ 1,341,184

As of December 31, 2025 and 2024, we did not maintain any finance leases, and we determined that the number and dollar amount of equipment leases was immaterial. As of December 31, 2025 and 2024, we have no additional operating leases that have not yet commenced.

8. DEPOSITS

As of December 31, 2025 and 2024, time deposits exceeding the FDIC insurance limit of \$250,000 or more totaled approximately \$37,610,087 and \$43,098,983, respectively, representing 78.5% and 81.7%, respectively, of time deposits. In addition, we consider any deposit customers with balances in excess of 5% of total deposits to be large deposit customers. As of December 31, 2025 and 2024, we had no large deposit customers.

The scheduled maturities of certificates of deposit as of December 31, 2025 are presented in the table below:

2026	\$	45,564,180
2027		2,135,589
2028		161,506
2029		—
2030 and thereafter		27,369
	\$	47,888,644

As of December 31, 2025 and 2024, deposits with a deficit balance of \$90,989 and \$41,843, respectively, were re-classified as other loans. The Company held brokered deposits totaling \$25,268,611 and \$30,758,923 at December 31, 2025 and 2024, respectively, which are obtained through third-party deposit brokers and may be subject to certain regulatory restrictions and conditions.

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9. SHORT-TERM BORROWINGS

We have a Borrower-In-Custody arrangement with the Federal Reserve, which we established as an additional source of liquidity. This arrangement permits the Company to retain possession of loans pledged as collateral to secure advances from the Federal Reserve Discount Window. Under this agreement, we may borrow up to \$59.6 million and \$75.2 million as of December 31, 2025 and 2024. We had no outstanding borrowings under this arrangement at December 31, 2025 and 2024.

At December 31, 2025 and 2024, the Bank had unused short-term lines of credit totaling approximately \$41.0 million (which are withdrawable at the lender's option).

10. INCOME TAXES

Total income taxes for the years ended December 31, 2025 and 2024 are presented in the table below.

	<u>Year ending December 31,</u>	
	<u>2025</u>	<u>2024</u>
Current income taxes		
Federal	\$ 2,341,562	\$ 1,734,207
State	44,963	303,579
Total current tax expense	<u>2,386,525</u>	<u>2,037,786</u>
Deferred income tax benefit	(205,215)	(45,781)
Total income tax expense	<u>\$ 2,181,310</u>	<u>\$ 1,992,005</u>

The differences between actual income tax expense and the amounts computed by applying the U.S. federal income tax rate of 21% to pretax income from continuing operations for the periods indicated are reconciled in the table below.

	<u>Year ending December 31,</u>	
	<u>2025</u>	<u>2024</u>
Computed "expected" tax expense	\$ 2,118,571	\$ 1,835,765
Increase (reduction) in income taxes resulting from:		
Stock based compensation	17,258	(27,534)
Valuation allowance	31,286	(1,118)
Other	(38,109)	(19,586)
State income tax, net of federal benefit	288,320	239,827
Tax credits, net of purchase price	(195,125)	—
Tax exempt interest income	(40,891)	(35,349)
	<u>\$ 2,181,310</u>	<u>\$ 1,992,005</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2025 and 2024 are presented below.

	<u>As of December 31,</u>	
	<u>2025</u>	<u>2024</u>
Deferred tax assets:		
Allowance for credit losses	\$ 893,928	\$ 772,700
Unrealized loss on securities available for sale	2,485,981	3,816,807
Deferred loan fees	78,447	67,196
Pass through income	181,032	183,801
State net operating loss carryforward	120,433	89,292
Nonaccrual interest	3,993	12,633
Other	127,548	114,524
Total gross deferred tax assets	<u>3,891,362</u>	<u>5,056,953</u>
Valuation allowance	(120,759)	(89,473)
Total gross deferred tax assets, net of valuation allowance	<u>3,770,603</u>	<u>4,967,480</u>
Deferred tax liabilities:		
Fixed assets, principally due to differences in depreciation	(258,231)	(299,632)
Prepaid expenses	(55,641)	(2,767)
Other	(4,188)	(55,641)
Total gross deferred tax liabilities	<u>(318,060)</u>	<u>(358,040)</u>
Net deferred tax asset	<u>\$ 3,452,543</u>	<u>\$ 4,609,440</u>

BANK OF SOUTH CAROLINA CORPORATION
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There was a \$120,759 and \$89,473 valuation allowance for deferred tax assets at December 31, 2025 and 2024, respectively, associated with the Company's state tax credits. In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and prior to their expiration governed by the income tax code. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred income tax assets are expected to be deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at December 31, 2025 and 2024. The amount of the deferred income tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. The Company uses the proportional amortization method for accounting for certain tax credit investments. Under this method, the investment cost is amortized in proportion to the tax credits and other income tax benefits received and presented as a component of income tax expense.

The Company measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid.

The Company has analyzed the tax positions taken or expected to be taken in its tax returns and concluded it has no liability related to uncertain tax positions in accordance with applicable regulations.

Tax returns for 2022 and subsequent years are subject to examination by taxing authorities.

11. COMMITMENTS AND CONTINGENCIES

We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit, interest rate, and liquidity risk. Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is essentially the same as that involved in extending loan facilities to customers. We use the same credit policies in making commitments and conditional obligations as we do for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. If deemed necessary, the amount of collateral obtained upon extension of credit is based on our credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, negotiable instruments, inventory, property, plant and equipment, and real estate. Commitments to extend credit, including unused lines of credit, amounted to \$136,807,605 and \$135,581,447 at December 31, 2025 and 2024, respectively.

Standby letters of credit represent our obligation to a third-party contingent upon the failure by our customer to perform under the terms of an underlying contract with the third party or obligates us to guarantee or stand as surety for the benefit of the third party. The underlying contract may entail either financial or nonfinancial obligations and may involve such things as the shipment of goods, performance of a contract, or repayment of an obligation. Under the terms of a standby letter, generally drafts will be drawn only when the underlying event fails to occur as intended. We can seek recovery of the amounts paid from the borrower. Commitments under standby letters of credit are usually for one year or less. At December 31, 2025 and 2024, we have recorded no liability for the current carrying amount of the obligation to perform as a guarantor; as such amounts are not considered material. The maximum potential amount of undiscounted future payments related to standby letters of credit at December 31, 2025 and 2024 was \$1,589,669 and \$4,756,783, respectively.

12. RELATED PARTY TRANSACTIONS

In the opinion of management, loans to our Executive Officers and Directors are made on substantially the same terms, including interest rates and collateral, as those terms prevailing at the time for comparable loans with persons not related to the lender that do not involve more than the normal risk of collectability. There were no past due loans to our Executive Officers and Directors as of December 31, 2025 and 2024.

The table below summarizes related party loans.

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Balance at beginning of the year	\$ 3,642,570	\$ 4,790,721
New loans or advances	—	(34,307)
Repayments	(877,678)	(1,113,844)
Balance at the end of the year	<u>\$ 2,764,890</u>	<u>\$ 3,642,570</u>

At December 31, 2025 and 2024, total deposits held by related parties were \$13,528,076 and \$12,046,595, respectively.

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13. OTHER EXPENSE

The table below summarizes the components of other operating expense.

	For the year ended December 31,	
	2025	2024
Telephone and postage	\$ 223,560	\$ 236,825
State and FDIC insurance and fees	318,768	324,355
Supplies	69,909	56,359
Courier service	55,200	56,140
Insurance	56,120	55,450
Advertising and business development	59,634	19,337
Other	567,417	638,336
Total other operating expenses	\$ 1,350,608	\$ 1,386,802

14. STOCK INCENTIVE PLANS

We have two employee Stock Incentive Plans: the first plan, which was approved in 2010, has 300,000 (363,000 adjusted for two 10% stock dividends) shares reserved and the second plan, which was approved in 2020, has 300,000 shares reserved. No new options may be granted under the 2010 plan, as it expired on April 14, 2020. Under the 2020 plan, options are periodically granted to employees at a price not less than the fair market value of the shares at the date of grant. Employees become 20% vested after five years and then vest 20% each year until fully vested. The right to exercise each such 20% of the options is cumulative and will not expire until the tenth anniversary of the date of the grant. All employees are eligible to participate in the 2020 plan if the Executive/Long-Range Planning Committee, in its sole discretion, determines that such person has contributed or can be expected to contribute to our profits or growth. With respect to Executive Officers, the Executive/Long-Range Planning Committee will obtain approval from the Compensation Committee for any options granted to them.

We also have a stock incentive plan to provide equity incentive compensation to the Company's eligible independent directors. The plan was approved by the shareholders in 2021 and has 150,000 shares reserved. Under the 2021 plan, options may be granted to eligible independent directors at a price not less than the fair market value of the shares at the date of grant. Options granted to independent directors become vested as to 20% of the options per year and will be fully vested after five years. The right to exercise each such 20% of the options is cumulative and will not expire until the tenth anniversary of the date of the grant. Each independent director is eligible to participate in the 2021 plan if the Compensation Committee, in its sole discretion, determines that such person has contributed or can be expected to contribute to our profits or growth.

Option awards are generally granted with an exercise price equal to the market price of the Company's common stock at the date of grant. The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of our common stock. The expected term of the options granted shall not exceed ten years from the date of grant (the amount of time options granted are expected to be outstanding). The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted was determined using the following weighted-average assumptions as of grant date:

	2025	2024
Risk free interest rate	4.26%	4.70%
Expected life (in years)	7.50	7.50
Expected stock price volatility	36.50%	37.10%
Dividend yield	4.57%	4.17%

The following table presents a summary of the activity under the 2010, 2020 and 2021 Stock Incentive Plans for the years ended December 31:

	2025		2024	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, January 1	262,226	\$ 14.93	258,193	\$ 14.93
Granted	16,000	13.86	90,016	12.32
Exercised	(5,380)	13.31	—	—
Forfeited	(24,010)	12.94	(85,983)	16.46
Outstanding, December 31	248,836	\$ 13.50	262,226	\$ 13.43
Exercisable at year end	29,008	\$ 14.14	22,060	\$ 13.71

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The following table presents information pertaining to options outstanding at December 31, 2025.

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Options Outstanding	Intrinsic Value of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable	Intrinsic Value of Options Exercisable
\$ 12.07	82,666	8.32	\$ 12.07	\$ 221,110	—	\$ 12.07	\$ —
13.31	89,620	7.93	13.31	128,581	21,848	13.31	31,346
13.47	13,750	7.57	13.47	17,528	—	13.47	—
13.86	16,000	9.27	13.86	14,156	—	13.86	—
14.64	10,000	7.93	14.64	1,047	—	14.64	—
15.21	22,750	4.28	15.21	—	4,550	15.21	—
18.23	6,650	1.91	18.23	—	990	18.23	—
18.92	750	3.49	18.92	—	300	18.92	—
19.82	1,650	1.91	19.82	—	1,320	19.82	—
20.04	5,000	5.55	20.04	—	—	20.04	—
	<u>248,836</u>	<u>7.53</u>	<u>\$ 13.50</u>	<u>\$ 382,422</u>	<u>29,008</u>	<u>\$ 14.15</u>	<u>\$ 31,346</u>

The following table presents information pertaining to options outstanding at December 31, 2024.

Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Options Outstanding	Intrinsic Value of Options Outstanding	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable	Intrinsic Value of Options Exercisable
\$ 12.07	88,666	9.33	\$ 12.07	\$ 5,877	—	\$ 12.26	\$ —
13.05	7,260	0.33	13.05	6,428	7,260	13.05	—
13.31	105,000	9.01	13.31	65,570	13,000	13.31	—
13.47	13,750	8.59	13.47	7,796	—	13.47	—
14.64	10,000	9.01	14.64	—	—	14.64	—
15.21	23,500	5.33	15.21	—	—	15.21	—
18.23	6,650	3.25	18.23	—	660	18.23	—
19.82	2,400	5.33	19.82	—	1,140	19.82	—
20.04	5,000	6.58	20.04	—	—	20.04	—
	<u>262,226</u>	<u>8.30</u>	<u>\$ 13.43</u>	<u>\$ 85,671</u>	<u>22,060</u>	<u>\$ 12.75</u>	<u>\$ —</u>

The total intrinsic value of options exercised during the years ended December 31, 2025 and 2024 was \$11,518 and \$0, respectively. Shares issued upon exercise of stock options are obtained from the authorized and unissued pool of common stock. Shares surrendered as payment of the stock option exercise price are included in treasury stock.

We recognized compensation expense (surrender) for the years ended December 31, 2025 and 2024 in the amount of \$85,849 and (\$127,446), respectively, related to the granted options.

As of December 31, 2025, there was a total of \$360,603 in unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. The cost is expected to be recognized over a weighted average period of 4.87 years.

15. EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

We established an Employee Stock Ownership Plan and Trust (“ESOP”) effective January 1, 1989. Any employee of the Bank is eligible to become a participant in the ESOP upon reaching 21 years of age and credited with one-year of service (1,000 hours of service). The employee may enter the Plan on the January 1st that occurs nearest the date on which the employee first satisfies the age and service requirements described above. No contributions by employees are permitted. The amount and time of contributions are at the sole discretion of the Board of Directors of the Bank. The contribution for all participants is based solely on each participant’s respective regular or base salary and wages paid by the Bank including commissions, bonuses and overtime, if any.

The Company recognizes expense when the contribution is approved by the Board of Directors. The total expenses amounted to \$660,000 and \$600,638 during the years ended December 31, 2025 and 2024, respectively and is included with salaries and benefits expense on the income statement. As of December 31, 2025 and 2024, the plan owned 395,292 and 387,901 shares, respectively, of common stock of the Company.

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A participant vests in the ESOP based upon the participant’s credited years of service. The vesting schedule is as follows:

- 1 Year of Service 0% Vested
- 2 Years of Service 25% Vested
- 3 Years of Service 50% Vested
- 4 Years of Service 75% Vested
- 5 Years of Service 100% Vested

Periodically, the Internal Revenue Service “IRS” requires a restatement of a qualified retirement plan to ensure that the plan document includes provisions required by legislative and regulatory changes made since the last restatement. There have been no substantive changes to the plan. The Board of Directors approved a restated plan, on January 26, 2012. The Plan was submitted to the IRS for approval and a determination letter was issued September 26, 2013, stating that the plan satisfies the requirements of Code Section 4975(e)(7). On January 26, 2017, the Board of Directors approved a restated plan. The Plan was submitted to the IRS for approval and a determination letter was issued November 17, 2017, stating that the plan satisfies the requirements of Code Section 4975(e)(7). On June 30, 2020, the IRS issued an opinion letter for a non-standardized pre-approved profit sharing/CODA/ESOP plan document. On May 25, 2024, the Board of Directors approved a restated plan utilizing this pre-approved document.

16. DIVIDENDS

The Bank’s ability to pay dividends to the Company is restricted by the laws and regulations of the State of South Carolina. Generally, these restrictions allow the Bank to pay dividends from current earnings without the prior written consent of the South Carolina Commissioner of Banking, if it received a satisfactory rating at its most recent examination. Cash dividends when declared, are paid by the Bank to the Company for distribution to shareholders of the Company. The Bank paid dividends of \$5.0 million and \$4.1 million to the Company during the years ended December 31, 2025 and 2024, respectively.

17. INCOME PER COMMON SHARE

The following table is a summary of the reconciliation of weighted average shares outstanding for the years ended December 31:

	2025	2024
Net income	\$ 7,907,090	\$ 6,749,736
Weighted average shares outstanding	5,435,236	5,454,342
Effect of dilutive shares	187,580	51,807
Weighted average shares outstanding – diluted	5,622,816	5,506,149
Earnings per share – basic	\$ 1.45	\$ 1.24
Earnings per share – diluted	\$ 1.41	\$ 1.23

18. REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and classification are also subject to qualitative judgements by the regulators about components, risk weightings, and other factors.

On July 2, 2013, the Federal Reserve Board approved the final rules implementing the Basel Committee on Banking Supervision’s (“BCBS”) capital guidelines for U.S. banks (“Basel III”). Following the actions by the Federal Reserve, the FDIC also approved regulatory capital requirements on July 9, 2013. The FDIC’s rule is identical in substance to the final rules issued by the Federal Reserve Bank.

Basel III became effective on January 1, 2015 and its purpose is to improve the quality and increase the quantity of capital for all banking organizations. The rule was phased in over a four-year period, with full implementation occurring on January 1, 2019. The minimum requirements for the quantity and quality of capital were increased. The rule includes a new common equity Tier 1 capital (as defined in the regulation) to risk-weighted assets ratio of 4.50% and a common equity Tier 1 capital conservation buffer of 2.50% of risk-weighted assets. The rule also raises the minimum ratio of Tier 1 capital to risk-weighted assets from 4.00% to 6.00% and requires a minimum leverage ratio of 4.00%. In addition, the rule also implements strict eligibility criteria for regulatory capital instruments and improves the methodology for calculating risk-weighted assets to enhance risk sensitivity. On November 4, 2019, the federal banking agencies jointly issued a final rule on an optional, simplified measure of capital adequacy for qualifying community banking organizations called the community bank leverage ratio (“CBLR”) framework effective on January 1, 2020. A qualifying community banking organization is defined as

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having less than \$10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. Additionally, the qualifying community banking institution must be a non-advanced approaches FDIC supervised institution. The final rule adopts Tier 1 capital and existing leverage ratio into the CBLR framework. The Bank adopted this rule as of September 30, 2020 and is no longer subject to other capital and leverage requirements. Under the CBLR framework, a qualifying community banking organization is deemed to have met the “well capitalized” ratio requirements and be in compliance with the generally applicable capital rule.

The following table presents the actual CBLR for the Bank at:

	December 31, 2025	December 31, 2024
Bank	11.46%	11.08%

We believe the Bank meets all capital adequacy requirements to which we were subject at December 31, 2025 and 2024.

19. DISCLOSURES REGARDING FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements apply whenever GAAP requires or permits assets or liabilities to be measured at fair value either on a recurring or nonrecurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs, which are developed based on market data we have obtained from independent sources, are ones that market participants would use in pricing an asset or liability. Unobservable inputs, which are developed based on the best information available in the circumstances, reflect our estimate of assumptions that market participants would use in pricing an asset or liability.

The fair value hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1: valuation is based upon unadjusted quoted market prices for identical instruments traded in active markets.
- Level 2: valuation is based upon quoted market prices for similar instruments traded in active markets, quoted market prices for identical or similar instruments traded in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by market data.
- Level 3: valuation is derived from other valuation methodologies, including discounted cash flow models and similar techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in determining fair value.

Fair value estimates are made at a specific point of time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale our entire holdings of a particular financial instrument. Because no active market exists for a significant portion of our financial instruments, fair value estimates are based on judgment regarding future expected loss experience, current economic conditions, current interest rates and prepayment trends, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in any of these assumptions used in calculating fair value would also significantly affect the estimates. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of these estimates.

The following paragraphs describe the valuation methodologies used for assets recorded at fair value on a recurring basis:

Investment Securities Available for Sale

Investment securities are recorded at fair value on a recurring basis and are based upon quoted prices if available. If quoted prices are not available, fair value is measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security’s credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, or by dealers or brokers in active over-the counter markets. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed and municipal securities in less liquid markets.

Derivative Instruments

Derivative instruments include interest rate lock commitments and forward sale commitments. These instruments are valued based on the change in the value of the underlying loan between the commitment date and the end of the period. We classify these instruments as Level 3.

We had no embedded derivative instruments requiring separate accounting treatment. We had freestanding derivative instruments consisting of fixed rate conforming loan commitments with interest rate locks and commitments to sell fixed rate conforming loans on a best-efforts basis. We do not currently

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engage in hedging activities. Based on the short-term nature of mortgage loans to be sold (derivative contract), our derivative instruments were immaterial to our consolidated financial statements as of December 31, 2025 and 2024.

The following table presents information about assets measured at fair value on a recurring basis as of December 31, 2025 and 2024.

	Balance as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 64,182,440	\$ —	\$ —	\$ 64,182,440
Government-Sponsored Enterprises	—	51,061,837	—	51,061,837
Municipal Securities	—	11,569,580	17,056,702	28,626,282
Total	\$ 64,182,440	\$ 62,631,417	\$ 17,056,702	\$ 143,870,559

	Balance as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 76,772,411	\$ —	\$ —	\$ 76,772,411
Government-Sponsored Enterprises	—	53,107,927	—	53,107,927
Municipal Securities	—	13,282,687	14,307,597	27,590,284
Total	\$ 76,772,411	\$ 66,390,614	\$ 14,307,597	\$ 157,470,622

There were no liabilities recorded at fair value on a recurring basis as of December 31, 2025 or 2024.

The following table reconciles the changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	2025	2024
Beginning balance	\$ 14,307,597	\$ 17,891,537
Total realized/unrealized gains		
Included in earnings	—	—
Included in other comprehensive income	328,105	2,455,240
Purchases, issuances, and settlements net of maturities	2,421,000	(6,039,180)
Transfers in and/or out of Level 3	—	—
Ending balance	\$ 17,056,702	\$ 14,307,597

The following paragraphs describe the valuation methodologies used for assets recorded at fair value on a nonrecurring basis:

Individually Assessed Loans

Individually assessed loans are carried at the lower of recorded investment or fair value. The fair value of the collateral less estimated costs to sell is the most frequently used method. Typically, we review the most recent appraisal and if it is over 12 to 18 months old, we may request a new third-party appraisal. Depending on the particular circumstances surrounding the loan, including the location of the collateral, the date of the most recent appraisal and the value of the collateral relative to the recorded investment in the loan, we may order an independent appraisal immediately or, in some instances, may elect to perform an internal analysis. Specifically, as an example, in situations where the collateral on a nonperforming commercial real estate loan is out of our primary market area, we would typically order an independent appraisal immediately when the loan becomes nonperforming.

However, as a second example, on a nonperforming commercial real estate loan where we are familiar with the property and surrounding areas and where the original appraisal value far exceeds the recorded investment in the loan, we may perform an internal analysis whereby the previous appraisal value would be reviewed considering recent current conditions and known recent sales or listings of similar properties in the area, and any other relevant economic trends. This analysis may result in the call for a new appraisal. These valuations are reviewed and updated on a quarterly basis.

In accordance with ASC 820, *Fair Value Measurement*, individually assessed loans, where an allowance is established based on the fair value of collateral, require classification in the fair value hierarchy. These individually assessed loans are classified as Level 3. Individually assessed loans measured using discounted future cash flows are not deemed to be measured at fair value.

Mortgage Loans to be Sold

Mortgage loans to be sold are carried at the lower of cost or market value. The fair values of mortgage loans to be sold are based on current market rates from investors within the secondary market for loans with similar characteristics. Carrying value approximates fair value. These loans are classified as Level 2.

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Certain assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following tables present information about certain assets measured at fair value on a nonrecurring basis as of December 31, 2025 and 2024.

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Individually assessed loans	\$ —	\$ —	\$ 804,723	\$ 804,723
Mortgage loans to be sold	—	1,630,066	—	1,630,066
Total	\$ —	\$ 1,630,066	\$ 804,723	\$ 2,434,789

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Individually assessed loans	\$ —	\$ —	\$ 597,458	\$ 597,458
Mortgage loans to be sold	—	5,012,224	—	5,012,224
Total	\$ —	\$ 5,012,224	\$ 597,458	\$ 5,609,682

There were no liabilities measured at fair value on a nonrecurring basis as of December 31, 2025 or 2024.

The following table provides information describing the unobservable inputs used in Level 3 fair value measurements at December 31, 2025 and December 31, 2024.

	Inputs		
	Valuation Technique	Unobservable Input	General Range of Inputs
Individually Assessed Loans	Appraisal Value/Comparison Sales/Other Estimates	Appraisals and/or Sales of Comparable Properties	Appraisals Discounted 10% to 20% for Sales Commissions and Other Holding Costs

Accounting standards require disclosure of fair value information for all of our assets and liabilities that are considered financial instruments, whether or not recognized on the balance sheet, for which it is practicable to estimate fair value.

Under the accounting standard, fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of the assets and liabilities that are not financial instruments. Accordingly, the aggregate fair value amounts of existing financial instruments do not represent the underlying value of those instruments on our books.

The following paragraphs describe the methods and assumptions we use in estimating the fair values of financial instruments:

a. Cash and due from banks, interest-bearing deposits at the Federal Reserve Bank

The carrying value approximates fair value. All instruments mature within 90 days and do not present unanticipated credit concerns.

b. Investment securities available for sale

Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions.

c. Loans

The fair value of the Company's loan portfolio includes a credit risk assumption in the determination of the fair value of its loans. This credit risk assumption is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. The Company's loan portfolio is initially fair valued using a segmented approach. The Company divides its loan portfolio into the following categories: variable rate loans, individually assessed loans and all other loans. The results are then adjusted to account for credit risk as described above. However, under ASC 326, the Company believes a further credit risk discount must be applied through the use of a discounted cash flow model to compensate for illiquidity risk, based on certain assumptions included within the discounted cash flow model, primarily the use of discount rates that better capture inherent credit risk over the lifetime of a loan. Additionally, in accordance with ASU 2016-01, *Recognition and Measurement of Financial Assets and Liabilities*, this consideration of enhanced credit risk provides an estimated exit price for the Company's loan portfolio.

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values approximate carrying values. Fair values for individually assessed loans are estimated based on the fair value of the underlying collateral. Individually assessed loans measured using discounted future cash flows are not deemed to be measured at fair value.

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d. Deposits

The estimated fair value of deposits with no stated maturity is equal to the carrying amount. The fair value of time deposits is estimated by discounting contractual cash flows, using interest rates currently being offered on the deposit products. The fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities as compared to the cost of alternative forms of funding (deposit base intangibles).

e. Accrued interest receivable and payable

Since these financial instruments will typically be received or paid within three months, the carrying amounts of such instruments are deemed a reasonable estimate of fair value.

f. Loan commitments

Estimates of the fair value of these off-balance sheet items are not made because of the short-term nature of these arrangements and the credit standing on the counterparties.

e. Short-term borrowings

Due to the short-term nature of the borrowings, the carrying amount of such instruments are deemed to be a reasonable estimate of fair value.

The following tables present the carrying amount, fair value, and placement in the fair value hierarchy of our financial instruments as of December 31, 2025 and 2024, respectively.

	Fair Value Measurements at December 31, 2025				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	\$ 10,267,001	\$ 10,267,001	\$ 10,267,001	\$ —	\$ —
Interest-bearing deposits at the Federal Reserve	41,072,011	41,072,011	41,072,011	—	—
Investment securities available for sale	143,870,559	143,870,559	64,182,440	62,631,471	17,056,702
Mortgage loans to be sold	1,630,066	1,630,066	—	1,630,066	—
Loans, net	356,802,911	354,762,685	—	—	354,762,685
Accrued interest receivable	4,146,867	4,146,867	—	4,146,867	—
Financial Liabilities:					
Demand deposits	450,806,088	450,806,088	—	450,806,088	—
Time deposits	47,888,644	48,093,405	—	48,093,405	—
Accrued interest payable	853,320	853,320	—	853,320	—

	Fair Value Measurements at December 31, 2024				
	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
Financial Assets:					
Cash and due from banks	\$ 6,202,303	\$ 6,202,303	\$ 6,202,303	\$ —	\$ —
Interest-bearing deposits at the Federal Reserve	4,804,819	4,804,819	4,804,819	—	—
Investment securities available for sale	157,470,622	157,470,622	76,772,411	66,390,614	14,307,597
Mortgage loans to be sold	5,012,224	5,012,224	—	5,012,224	—
Loans, net	360,409,568	346,440,414	—	—	346,440,414
Accrued interest receivable	2,012,059	2,012,059	—	2,012,059	—
Financial Liabilities:					
Demand deposits	437,190,262	437,190,262	—	437,190,262	—
Time deposits	52,722,096	54,849,796	—	54,849,796	—
Accrued interest payable	513,391	513,391	—	513,391	—

BANK OF SOUTH CAROLINA CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. BANK OF SOUTH CAROLINA CORPORATION - PARENT COMPANY

The Company's principal source of income is dividends from the Bank. Certain regulatory requirements restrict the amount of dividends which the Bank can pay to the Company. The Company's principal asset is its investment in its Bank subsidiary. The Company's condensed statements of financial condition as of December 31, 2025 and 2024, and the related condensed statements of income and cash flows for the years ended December 31, 2025 and 2024, are as follows:

Condensed Statements of Financial Condition

	December 31,	
	2025	2024
Assets		
Cash	\$ 1,383,635	\$ 1,185,147
Investment in wholly-owned bank subsidiary	59,526,408	51,709,666
Other assets	471,184	438,423
Total assets	<u>\$ 61,381,227</u>	<u>\$ 53,333,236</u>
Liabilities and shareholders' equity		
Dividends payable	\$ 1,241,938	\$ 1,032,224
Shareholders' equity	60,139,289	52,301,012
Total liabilities and shareholders' equity	<u>\$ 61,381,227</u>	<u>\$ 53,333,236</u>

Condensed Statements of Income

	Years Ended December 31,	
	2025	2024
Interest income	\$ 1,412	\$ 1,244
Net operating income (expenses)	(204,630)	2,287
Dividends received from subsidiary	5,000,000	4,125,000
Distribution from subsidiary for repurchase of common shares	300,000	450,000
Equity in undistributed earnings of subsidiary	2,810,308	2,171,205
Net income	<u>\$ 7,907,090</u>	<u>\$ 6,749,736</u>

Condensed Statements of Cash Flows

	Years Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 7,907,090	\$ 6,749,736
Stock-based compensation expense (surrender)	85,849	(127,446)
Equity in undistributed earnings of subsidiary	(2,810,308)	(2,171,205)
Increase in other assets	(32,761)	(30,001)
Net cash provided by operating activities	<u>5,149,870</u>	<u>4,421,084</u>
Cash flows from financing activities:		
Dividends paid	(4,449,063)	(3,820,940)
Stock options exercised	44,988	-
Repurchase of common shares	(547,307)	(455,658)
Net cash used in financing activities	<u>(4,951,382)</u>	<u>(4,276,598)</u>
Net increase in cash	198,488	144,486
Cash at the beginning of the year	1,185,147	1,040,661
Cash at the end of the year	<u>\$ 1,383,635</u>	<u>\$ 1,185,147</u>
Supplemental disclosure for non-cash investing and financing activity:		
Change in dividends payable	\$ 209,714	\$ 102,483

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Corporate Information

BOARD OF DIRECTORS



Hugh C. Lane, Jr.*
Chairman
Bank of South Carolina
Corporation



Susanne K. Boyd
Executive Vice President
& COO
Bank of South Carolina
Corporation



David W. Bunch
Chairman & CEO
Hughes Motors



Graham M. Eubank, Jr.**
President & CEO
Palmetto Ford



Fleetwood S. Hassell
Retired President & CEO
Bank of South Carolina
Corporation



Glen B. Haynes, DVM
Retired
Westbury Veterinary Clinic



William L. Hiott, Jr.
Retired CFO
Bank of South Carolina
Corporation



Richard W. Hutson, Jr.
Manager
William M. Means Co.
Insurance



Charles G. Lane
Managing Member
Holcombe, Fair & Lane



**Josette R. E. Pelzer,
Ph.D., CPA**
Associate Professor of
Accounting
College of Charleston



Karen J. Phillips
President
Atlantic Coast Asset
Management



Malcolm M. Rhodes, MD
Retired
Parkwood Pediatric Group



Douglas H. Sass
Executive Vice President
Bank of South Carolina
Corporation



Sheryl G. Sharry
Retired CFO
Bank of South Carolina
Corporation



Thaddeus T. Shuler
President & CEO
Southern Lumber &
Millwork Corporation



Eugene H. Walpole, IV
President & CEO
Bank of South Carolina
Corporation

* Chairman
** Lead Director

OFFICERS

Hugh C. Lane, Jr.
Chairman

Eugene H. Walpole, IV
President & CEO

Susanne K. Boyd
Executive Vice President & COO

Jennifer A. Arato
Senior Vice President & CCO

Robert M. Hollings, III
Senior Vice President & Senior Lender

Richard W. Hutson, Jr.
Secretary

CORPORATE HEADQUARTERS

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877-373-6374

INDEPENDENT AUDITORS

Elliott Davis, LLC
2151 Pickens Street
Suite 200
Columbia, SC 29201

ANNUAL MEETING

April 14, 2026
2:00 PM EST
The Bank of South Carolina
9403 Highway 78
North Charleston, SC 29456



FORWARD-LOOKING STATEMENTS

Certain statements herein may constitute forward-looking statements, which involve a number of risks and uncertainties. We caution readers that any forward-looking statements are based largely on our expectations and are subject to a number of known and unknown risks and uncertainties that are subject to change based on factors which are, in many instances, beyond our control. Additional information regarding these risks and uncertainties to which our business and future financial performance are subject is contained in our most recent Annual Report. Any forward-looking statements presented herein are made only as of the date of this Annual Report, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, new information, the occurrence of unanticipated events, or otherwise, except as required by law. All forward-looking statements, expressed or implied, included in this Annual Report are qualified in their entirety by this cautionary statement.



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